

## Department store branches into 'home' computers

by Stephen Bell

AUCKLAND'S biggest department store is experimenting with small computer sales as a tentative "flag-flying" exercise in anticipating a future demand.

The Farmers Trading Company head office store in Hobson Street, Auckland, has been stocking the Commodore range for several months now.

Home appliances manager Doug James says current sales average four or five a month, of

various sizes of microcomputer, and customers are both hobbyists and serious small business users.

"It's hard to say what the proportion is," said James. "I've no doubt some machines bought for the home get adopted for business use and vice versa."

The volume of sales jumped about three or four times, following a press advertising campaign. It was as though customers realised from the

advertisements that they could now buy computers from their "family store" without being confronted with a lot of jargon, said James. But sales rates have now settled down again.

The big boom in small computer sales was still to come and it would be in the home, James predicted. "There won't be a lot of activity until we've got something that might start that domestic explosion."

That "something," he suggested, would be largely a drop

in price, but other attractive consumer features, like a "screenless" colour model attached to the domestic television set, could also be influential.

Farmers has so far made the experiment only in the one store, and James was hesitant to say when, or even whether, it would spread to other parts of the country. "There are plenty of things we've done only in Hobson Street and we still do them nowhere else.

"If you try to stock a chain, you're in danger of getting a low turnover that doesn't warrant the stock you're carrying."

James said his home appliances and electrical department was "the right place to sell computers; they're not an extension of stationery."

The Commodore is not Farmers' first experience of selling computers. "We started with the Sharp packet computer; in fact, we use those as part of the training for the peo-

ple who are going to sell the Commodore, so they know how to write a program in the Basic computer programming language."

Next came a brief experience with the Dick Smith System 2000; "but when Dick Smith set up here himself, our source of those dried up."

So by the time the new Commodore operation started up, New Zealand, Farmers we well into computers, and approached Commodore (NZ) with the idea. "They'd never considered a department store as an outlet," said James.

Commodore naturally looked at the Farmers proposal carefully, said Commodore NZ's managing director Tim Edney. It wanted to ensure the store would take a "professional" attitude to the selling of computers.

One novel attraction of department store sales, apart from the lack of jargon, was the facility for term payment. "We allow people to pay by instalments, just as we do for any other large item," said James.

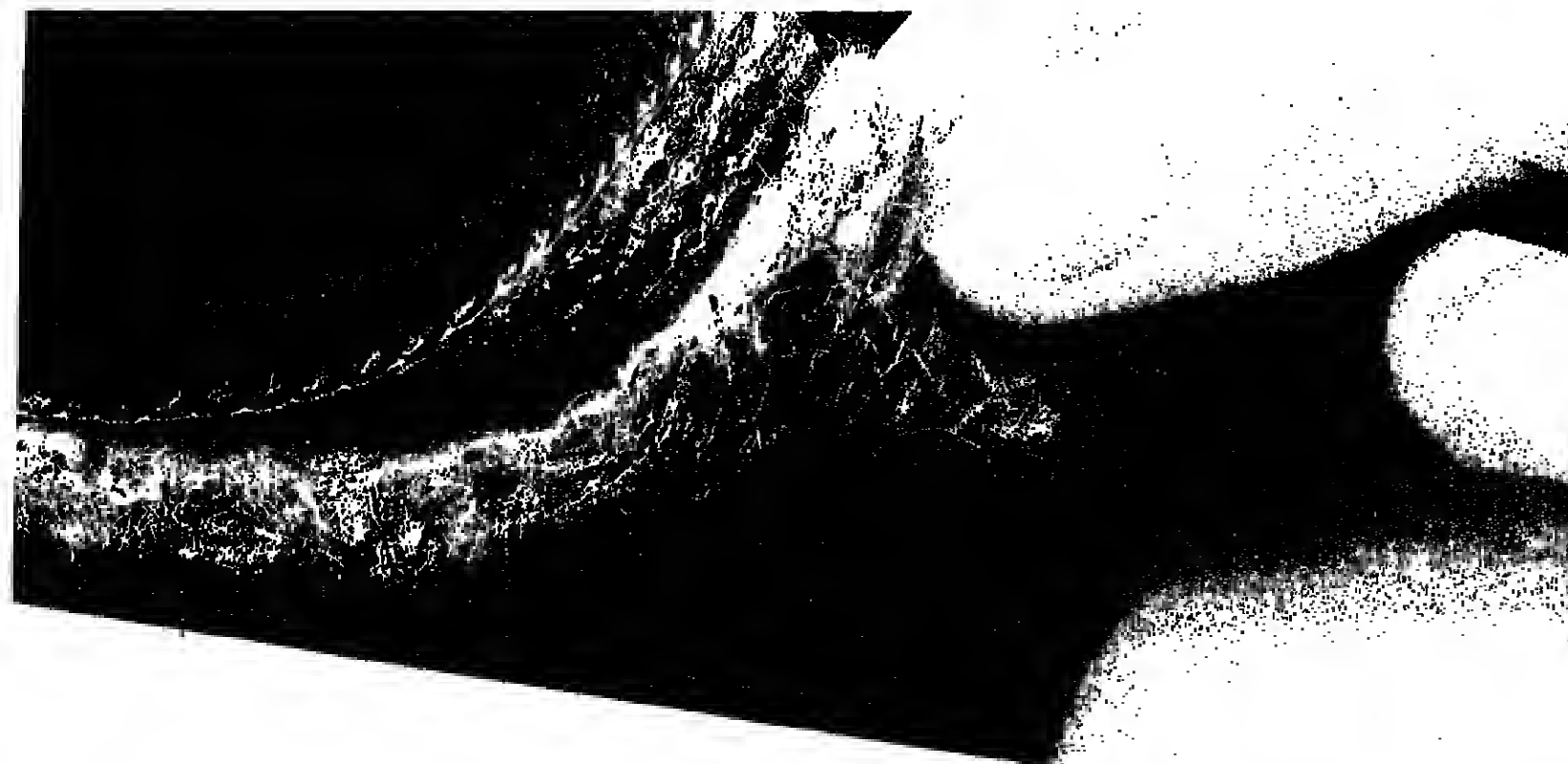
Sales so far have ranged from the bottom end of the range right to the top. "We sold an 8000 system; an 8032 machine with an 80-column screen, dual disc and cassette; about \$13,000 worth. But that was an exception," he admitted.

Customers usually made several visits to the store to discuss their computing needs before finally purchasing, but immediate purchases were not unknown.

Staff clearly needed training to sell the machines competently and advise customers on how much power and storage they were likely to need, said James. "But we send them to Commodore for training, just as we send our staff to train with the company that produces anything else we sell."

But often, sales staff proved to have a head start in computing, because they had worked with microcomputers at school.

The staff have produced some of their own programs for the machine. James himself wrote a horse-racing game, complete with animated "stick" horses, which a software company is considering purchasing for resale.



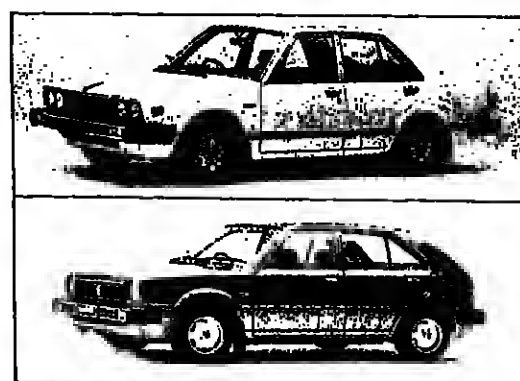
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The "ins" and "outs" of Christchurch — Pages 37-43



Company chairman Pater Norman...increased throughput "essential".

## Borthwick revamped in big finance deal

by Allan Parker

A COMPLEX financial restructuring of big New Zealand meat processor Borthwick GWS Ltd has been hammered out in high-level negotiations here and in London.

The negotiations have involved New Zealand financiers, the New Zealand company, the ailing British meat trade giant Thomas Borthwick & Sons and 13 banks throughout the world.

Together, the financiers hold interests worth millions of dollars in the New Zealand operation, which runs four freezing works in the North Island.

The British-based Thomas Borthwick & Sons, the parent of the multinational operation, has been recording continuing large losses, \$3.7 million in the six months to March this year. These have generated speculation about the operations of the company in this country.

Continued Page 16

## 'No discounts' pact in effect

by Warren Berryman

AN agreement among all airlines serving the New Zealand market to stop selling discounted fares and offering rebates to travel agents goes into effect today.

The airlines realise their cut-throat marketing war — which has cost them an estimated loss of \$5 million a month — has neither improved any airline's market share nor increased air travel generally.

But the non-IATA travel agents and middlemen who have been offering them bulk-discounted airfares are bound to lose business when the airlines return to what they call an "orderly marketing environment."

Under the auspices of the Airline Steering Committee, a previously quiescent industry self-policing body, all the airlines signed or declared their intention to sign an agreement vowing to obey Ministry of Transport air tariff regulations and to police the rules the MOT has so far been unable to enforce.

The agreement, signed 11

days ago, becomes effective today. A watchdog committee consisting of executives from three competing airlines, Pan Am manager Dave Morgan, Qantas manager Ian Gray and Air New Zealand marketing executive Norm Searle, has been established to ensure that all carriers comply with the agreement.

The 22 signatories have agreed to supply the watchdog committee with information and the ministry has agreed to enforce its regulations if and when the committee finds evidence of breaches.

Travel Agents Association of New Zealand executive director Peter Lowry said he was pleased with the agreement. TAANZ has been in the forefront in the fight against illegal discounting arguing that the system was unfair, to "clean" travel agents and consumers alike.

Joined by Air New Zealand, the discounting war produced a system where some travel agents got special deals not available to others and travel agents obeying the rules were

being exploited and losing business to those who did not. Some Aucklanders had access to air tickets discounted by up to 40 per cent not available to people in other parts of the country.

The discounting war escalated rapidly over the past year. Ever-increasing discounts gave

way to net fires offered to travel wholesalers. The complicated system by which airlines paid rebates to wholesalers and agents in an attempt to buy a bigger market share became more open and the rebates became bigger.

Much of this activity was il-

Continued Page 2

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Real Estate  
MREINZ

## 35hr case undecided

by Ann Taylor

ENGINEERS will take their claims for a 35-hour working week back to the rank and file. The metal trades award negotiations adjourned last

week when employers refused to negotiate a 35-hour week within the award.

"If you won't settle on the 35-hour week there will be no

Continued Page 14



## ‘Three into two won’t go’ choice facing Birch

- Discounting, net area, and

According to one senior airline executive, "these guys will be watching everyone's market share. If one airline seems to be getting a bigger slice they are going to find out how they're doing it. If they're

- Higher yields for all carriers;
- That the money previously spent on discounts and rebates

These rules establish a system wherein uniform tariffs are charged by all carriers and uniform commissions paid to all travel agents.

The non-IATA agents now fear they will be cut out of the air travel market entirely.

In effect, he must be prepared to work free for something like two years to obtain IATA accreditation.

## Flaws in state

## ate systems

Planning clearance, conclusion of outstanding matters and nonic physical aspects of the plant have still to be sorted out. But the announcement last

"If the process did fail we would still have the methanol which the Government could market and there are a series of obligations on Mobil to do whatever is necessary to make it perform," he said.

Using that cost, together

"The project will live within the take-or-pay agreement (with Mani Development Ltd), and under the Energy Plan 1981 we are not even going to reach the cumulative amounts under the take-or-pay," he said.

\_\_\_\_\_

**PRIME** Minister Rob Muldoon said New Zealand would

Week to be

**MONDAY:** South Auckland Education Royal Conference, Rotorua, on Wednesday

**TUESDAY:** Australasian College of Real Estate Agents, Christchurch, to Friday

**WEDNESDAY:** NZ Institute of Credit and Financial Management AGM, Wellington

**THURSDAY:** NZ Bottle Merchants Association conference, Christchurch, to Sunday

**FRIDAY:** Jewellers Association conference, Hastings, to Monday

**SATURDAY:** Automobile Association, annual conference, Invercargill, to Sunday

**SUNDAY:** NZ Masonry Trades conference, Christchurch, to Sunday


**MONDAY:** Kwik Motors rental conference, Auckland, to Sunday

**TUESDAY:** Lord Carrington arrives for visit until Monday.

Many of the departments that came under the Public Ex-

inference was taken that a decision had been made on the

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**WHAT:** The theme of this year's Conference is "Developing Strategic Management in the Organisation". Incorporated within the Conference Programme are sessions on what approaches can be adopted in respect of this theme and Diversifying Innovation and Conditions for Success with New Product Activities. In addition, the opportunity is provided for practical experience with an exciting workshop scheduled. Direct reference will also be had to recent significant planning developments within the New Zealand business sector, with presentations being given relating to three of New Zealand's leading corporate groups, namely Fielcher Challenge, New Zealand South British and L.D. Nathan.

**WHO:** As in past years, the Society is again bringing an international planning expert to be the Conference Director. Nigel Freedman is a Planning Consultant for the Philips International Group based in Eindhoven, The Netherlands. He has not only had extensive planning experience within the Philips International Group but also has conducted seminars and lectured on Strategic Planning at several leading European Business Schools. To complement the international personality, several top New Zealand executives will be participating at the Conference including Mr Bruce Cole, Managing Director of the L.D. Nathan Group, Mr Harry Kember, Deputy General Manager of the New Zealand South British Group, and Mr David Sedler, Director and Secretary of the Fletcher Challenge Group.

**WHEN:** Sunday, 18th October, to Tuesday, 20th October, 1981.

WHERE: The THO Waltangl Hotel, Waltangl.

To obtain the 1981 Conference brochure, please ring Auckland 480 404 or post in the following section:

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## NZ FOREST PRODUCTS LIMITED

Points from the address by the Chairman Mr L N Ross to the 45th Annual General Meeting of the Company at Auckland on 3rd September 1981.

### In brief 1980/81 Highlights

- Record level of sales and profit despite slight downturn in some export markets and the low level of activity in the house building industry in New Zealand.
- New profit of \$52 million — \$22.8 million ahead of last year's record.
- Return on Shareholders' funds increased to 16.2%.
- Annual dividend of 22%.
- Sales for the first four months of the year exceeded those of the same period last year but profit slightly lower. Improved results are expected for the remainder of the financial year.
- Financial position of the company is strong.
- Acquisition of more than 99% of the issued capital of Lees Industries, a major Auckland based engineering company.
- Pine Chemicals N.Z. Limited formed to establish a joint venture operation with Tasmans Pulp & Paper Co. Limited for the refining of tall oil and turpentine.
- The close association between NZFP and Australian Paper Manufacturers Limited is being further developed by the formation of Anfor Pty. Limited, a jointly owned company.

### Survey of Results

At last year's Annual General Meeting the results then reported indicated what might have been achieved if the Kinelith mills had operated to full capacity. The net profit of \$52 million for the 1980/81 year is confirmation of the earning capacity of the NZFP Group under normal conditions.

The attainment of sales of \$544 million in spite of a downturn in export markets for pulp, paper and in the Japanese market for timber, and a low level of activity in the house building industry in New Zealand was a sound achievement.

Of even more importance was the return on shareholders' funds of 16.2%. While this return was 36% higher than the previous best recorded level of 11.9% in 1977 it must be stressed that the rate of 16.2% was only approximately equivalent to the rate of inflation in New Zealand during the year. Viewed in this context the need to achieve a further improvement is apparent and the Board and management have this as their objective.

In the Directors' Report and the Notes to the Accounts reference is made to the accounting policies adopted and in three changes in these. One of these changes deals with the value of the Company's forests and as this has been the subject of recent comment by at least one financial columnist it may be helpful to elaborate further. The balance sheet shows a forest value, exclusive of land, of \$52 million. For the bulk of the forests this is the cost of establishing the trees i.e. planting and other costs incurred in the first years of their life. For new forest areas a change in policy has been adopted and for the 1980/81 financial year and in the future the Company will capitalise all costs until such time as these new forests become productive. While this step will increase the recorded value of the forests, it does not necessarily state the present value of the plantations. There is no simple answer. Forest valuation has been the subject of debate both in New Zealand and overseas for many years. Should it be current replacement cost, market value or some other basis. Arguments can be developed for and against each possible method and they are all inconclusive. In preparing Current Cost Accounting figures for internal use the valuation placed on planted forests (again exclusive of land) is \$130 million which represents their value if all forests had been established at the level of cost at last balance date. The Board believes this figure is very conservative.

The financial position of the Company is strong. Shareholders' funds increased to over \$356 million representing 49.9% of the total funds employed in the business. Each \$1 share had a tangible asset backing in book value of \$4.42. At balance date the Current Asset/Current Liability ratio was a quite satisfactory 1.8:1.

### The Current Year

Sales in the first four months of the current financial year have exceeded those for the same period of the previous year. Profit however, is slightly below that achieved to the end of July 1980. A number of factors have contributed.

Markets for pulp have been somewhat depressed with some cancellations and deferments of shipments. It has been necessary to reduce some prices for exports to meet competition but an improvement in demand and prices is expected, particularly for bleached pulp. Production from the Kinelith pulp mill has also been adversely affected by problems stemming from the introduction of natural gas to the Kinelith site. Most of these have now been overcome and in recent weeks output has improved.

Although the demand for some grades of paper has been below expectations the level of orders has improved and the Kinelith machines are now committed to operate at planned capacity. The Maitara machines are similarly committed. For Whakarene products an increasing local demand and the development of export markets now indicates full utilisation of the main machine at improved efficiencies. Output and profit at Whakarene, Maitara and Penrose are ahead of last year.

Those units producing building products have continued to suffer from the low level of activity in the house building industry. However, in the last two months some increase in demand has been noted for wallboards, particle board and plywood and it is hoped that this will be maintained. Local and Australian sales of timber are continuing at a satisfactory level. NZFP's Japanese customers for logs and timber have confirmed contracts at the reduced level which has applied since the beginning of 1981. Prices are also unchanged. The lower level of supply to this market stems from the depressed state of the Japanese lumber market.

Excellent results have been achieved by the merchant companies in the Group and these should continue for the remainder of the year.

In summary, it is anticipated that for the remainder of the financial year both sales and profit will be at a higher level than for the first few months.

### Outlook

For forest based industries the future outlook is bright as increasing supplies of wood become available for utilisation during

the balance of this century. NZFP has proved that it can successfully process and market worldwide, in competition with other countries, the diverse products manufactured from its forest resources.

However, a note of caution must be sounded. There must come a time when, if inflation in New Zealand continues at the present rate with the inevitable escalation of costs, it will become more and more difficult for industries to compete profitably with those based in countries where lower levels of inflation apply. New Zealand cannot afford to lose any of its export business.

Perhaps even more damaging is the effect of inflation in conjunction with the continuing devaluation of the New Zealand dollar on the capital cost of development projects. If costs continue to escalate at the rate now prevailing projects which earlier would have been economically viable will no longer warrant the investment of the capital involved and as a result development in capital intensive projects will be severely restricted. In turn this will lead to a loss of employment opportunities.

The 1981 round of wage negotiations has commenced and it has been reported that some Unions are claiming substantial increases. Some increase must be accepted, but if New Zealand companies are to be able to continue in business — and to do this they must be profitable — it is imperative that increased labour costs are met by increased productivity and in this area there is certainly a need and scope for substantial improvement.

Inflation also increases the working capital requirements of companies — more funds are needed to continue the same level of business activity. While inflation remains around the 15% level the requirement doubles in 5 years. It is of interest to note that at 31st March, 1981 the Group's use of funds for working capital was \$109 million whereas 5 years ago it was \$34 million. Admittedly an increase in the level of trading accounts for part of this increase, but the effect of inflation is also substantial.

A statement was made in the 1981 Budget to the effect that Government intends to undertake a searching review of the incentives and taxation concessions available to forest industries, particularly to the major companies.

Many export industries have been established or expanded in response to encouragement offered by Government in the form of various fiscal incentives. The removal of these incentives without compensating measures would inevitably affect adversely the viability of those industries and their ability to earn much needed overseas funds.

Until the scope and direction of the review is known it would be premature to comment, except to say that shareholders can be assured that the Board and Management will be alert to any moves to reduce the Company's ability to develop and retain export markets, or to continue to plant new forests for future utilisation.



Mr D.O. Walker



Mr L.N. Ross

### Recent Developments

Since the Annual Report was issued the acquisition of Lees Industries Limited has been completed and at this stage NZFP holds in excess of 99% of the issued capital of this engineering business. The new warehouse and Head Office for B.J. Ball (N.Z.) Limited has been completed and that company is now occupying these premises in Church Street, Penrose.

A new company, Pine Chemicals N.Z. Limited, has been registered and will implement the joint venture project with Tasmans Pulp and Paper Company Limited for the fractionation of crude tall oil and crude sulphate turpentine. In the past both companies have sold these materials, which are by-products of the kraft pulping process, to Japanese processors. By combining the quantities of the crude materials available from the two pulp mills it is economically viable to carry out the processing in New Zealand. Some of the refined products will be used in New Zealand and the balance exported.

In August a world first was achieved by the Company when trials of the new commercial plant to produce industrial adhesives from pine bark were successfully completed. The product, which will be sold under the trade-name "Tannaphen" will be used in the production of particle board, plywood and in the packaging industry as a moisture resistant adhesive. Shareholders will be interested to know that, for the research which has culminated in the establishment of the new plant, the Company has received a major award given by the Forest Products Research Society of St. Paul, Minnesota. The award recognised the most innovative and outstanding contribution for the year in bark research, processing and marketing.

On the Company's Church Street site work has commenced on the foundations of the building to house the new corrugating paper machine. Installation of the machine now being built in Germany, is scheduled to be completed by December 1982.

A firm decision has not yet been made on the proposal to install in Northland a pulp and paper mill to produce lightweight coated papers. Further studies in depth are required both on technical aspects and the worldwide market demand for these grades of

papers before the economic viability of such a project can be finally established. The increasing capital cost of plant for such a project, and in fact for any large project, is also of concern. No final decision will be made. An assessment of the future economic and industrial environment has yet to be made and clarification of Government policy towards export industries will be needed.

The close association with Australian Paper Manufacturers Limited of Melbourne which has existed for some years now, has been further developed by the formation of a joint venture company, Anfor Pty. Limited. This company will co-ordinate the corporate group engineering activities of the two companies and provide an avenue where their combined resources can be applied to technical research and development and the development of new products. It will also control the activities of Australian and New Zealand Forest Products Limited, a company which was formed last year to handle sales made by both companies to East Asian countries.

This association of NZFP with APM in areas of mutual interest and support gives practical expression to the theme of C.E.R. — Closer Economic Relations — between New Zealand and Australia.

### Finance

In the Directors' Report reference was made to the need to provide additional funds during the current year. Arrangements are in hand.

The recently announced cash issue of shares which, being fully underwritten, will provide an assured sum of approximately \$35 million.

In addition negotiations are proceeding to raise by way of a loan from local sources a further sum of \$30 million.

Proceeds will be utilised in part to meet repayments of \$19 million this financial year on existing loans, substantially in foreign currencies, as these fall due, in part to provide additional working capital for expanding operations and in part to finance capital expenditure on new and replacement plant.

Shareholders will note the intention of the Directors to fund as far as possible from sources within New Zealand, thus reducing the exposure to exchange risks. The continuing progressive devaluation of the New Zealand currency and the at present very high interest rates, particularly for US dollars, make offshore borrowing most unattractive at present. However, the availability of finance from within New Zealand is limited at any time and with the demand which will be created as major energy and other projects proceed the position is not likely to improve in the next few years.

### Dividends

A motion put to the meeting will provide for the payment of a final dividend for the 1980/81 year of 12 cents per share of which 5 cents will be distributed from sources which the Inland Revenue Department has accepted as free of tax in the hands of a substantial proportion of shareholders. The total dividend payable for the year will then become 22 cents per share of which 15 cents will be non-taxable to eligible members. (The resolution was carried unanimously by the meeting.)

By increasing the dividend to this level the Directors have raised the payment by almost 19% in one year which is ahead of the level of inflation during the year. However, because capital increased during the year the dividend will absorb \$17.9 million as compared with \$13.2 million in the previous year. The requirement is covered 2.9 times by tax paid profit.

The recently issued new listing requirements for The New Zealand Stock Exchange require that, when making an issue of shares, the Directors indicate their intentions on future dividend policy. When announcing the 1981 Cash Issue it was stated that for the years 1979 to 1981 the dividend cover has averaged 2.5 times and that this was indicative of the Directors' policy. Stated more positively, it is the policy of the Directors to annually distribute as dividends between 33-1/3% and 40% of the tax paid profit. It is the intention that this policy be applied to the higher capital base after the coming issue.

It is the intention, subject to the consent of the High Court being given, to utilise the \$4 million to be set aside for distribution from the Share Premium Account as a component of the 1982 Interim Dividend payable in February that year. It was also intended that on completion of the current cash issue of shares a further sum of almost \$24 million will be credited to the Share Premium Account and, under current legislation this amount in due course will become available for future tax free distributions.

### Conclusion

With the addition during the year of new subsidiaries the Group now employs over 9,000 people. The continued progress of the Company depends on the ability of management to combine to the best advantage the wide range of skills and talents of these people with the resources of materials, plant and finance.

The higher output of most mills during the year, the increased level of sales and the emerging profit at a much improved rate of return on our shareholders' funds are evidence of the ability of the company to use advantageously the resources available to it.

A number of letters have been received from the cover of the Report others complimenting the Company on the symbolic photograph and the inclusion of our national flag in the symbolic photograph.

The theme of the cover is "Pride in New Zealand Company Forest Products Limited is proud to be a New Zealand company and if the cover has indicated the Company's confidence in the ability of the people of the New Zealand to develop and use to the advantage the resources of our country then it has achieved its purpose. New Zealand does have problems — both economic and social — but a re-awakening of a sense of pride and a determination by all sectors of the community to overcome these problems must lead to a better quality of life for everyone.



grounds that it contained Rhine Riesling Flavouring. (Flavouring is permitted in wines labelled as such but not in table wines or wines carrying the names moselle or hock as Penfolds wines did.) But the statement did not say if the wines had contained flavouring or not.

Instead the Health Department shifted its ground to say the wines contained propylene glycol, a substance not permitted in table wines since May last year.

Penfolds acknowledges buying at least 3000 litres of imported German Rhine Riesling flavouring, but denies using it in its table wines.

Several questions remain:

- Is Penfolds' moselle and hock flavoured or not?
- Can the Health Department sustain the allegations that held up Penfolds' public share float or not?
- What are consumers buying and drinking when they order moselle or hock from the tap in a hotel or restaurant?

Despite the official silence informed sources have given NBR a possible explanation.

The Rhine Riesling flavouring was analysed for the Health Department by the DSIR and found to consist of 5 per cent flavouring and 95 per cent of the solvent, propylene glycol.

The flavouring materials in Rhine Riesling Flavouring are understood to be the same as those found in natural wine.

Thus the Health Department analysed Penfolds' wines looking for propylene glycol, and when the analysts found these wines to contain about one part in 1000 propylene glycol (a higher proportion than found in other wines) they inferred the presence of flavouring from the presence of propylene glycol.

As Rhine Riesling flavouring is 95 per cent propylene glycol, and as the evidence presented in the joint statement suggests the mixing ratio of this substance is one to 1000, the difference between adding straight propylene glycol and adding Rhine Riesling Flavouring is 0.005 per cent of flavouring, the constituents of which can be found in natural wine anyway.

## Economics neglected

GOVERNMENT neglect of economic research was exposed last week in data presented by Institute of Economic Research director Kerry McDonald to the institute's annual meeting.

In the 1980-81 year, direct Government department expenditure, grants, subsidies and research contracts for all scientific research totalled \$139 million, McDonald pointed out.

A mere 2.9 per cent — \$4 million — of this was devoted to all of the social sciences, including economics.

Only \$207,000 of this was let in economic research contracts.

"I am not aware of any of this social science research funding being used for macro-economic policy research," McDonald said.

But limited research funding "undoubtedly accounts for some of our economic policy problems," McDonald said.

The allocation was dominated by DSIR (43 per cent) and Agriculture and Fisheries (25 per cent).

Treasury and the Reserve Bank were not included in this expenditure.

If one of the 25-litre kegs of Rhine Riesling Flavouring were poured into a 25,000 litre vat of wine, the total amount of flavouring would amount to only 1.25 litres in 25,000 litres of wine.

The joint statement does not say this flavouring was added.

The full statement read: "Penfolds bulk catering kegs were seized by the department on the grounds that the wine contained a flavouring substance known as 'Rhine Riesling Flavouring'.

"Analysis of the flavouring by the Department of Scientific and Industrial Research established that its main ingredient by volume is propylene glycol.

"DSIR scientists also established that propylene glycol was present in the bulk catering keg wine in comparatively greater proportions (0.18 per cent to 0.14 per cent, compared with 0.003 per cent to 0.007 per cent in other wines) than in other wines tested.

"Propylene glycol is a permitted additive in wine under the Food and Drug Regulations, 1973, if it is regarded essentially as an anti-foaming agent.

"The department contends that propylene glycol is not an anti-foaming agent in the context of the winemaking industry, although it agrees that there may be some differences of scientific opinion on this issue.

"Until May 1, 1981, it was a permitted solvent in table wine, but after that date its use as a solvent was disallowed.

"Penfolds has now satisfied the department that propylene glycol was added in the bulk catering kegs in order to achieve greater solubility of potassium sorbate powder, which is a permitted preservative.

"Penfolds now accepts that its use for this purpose since May 1, 1980 is no longer permitted.

"The Health Department has agreed therefore that the bulk catering kegs shall be released from seizure on Penfolds' undertaking.

## Wine case settled — one question remains

"(a) That as propylene glycol is a permitted additive for flavoured wine then the bulk catering kegs containing wine to which propylene glycol

has been added will be continued to be sold as flavoured wine.

"(b) Not to use propylene glycol in the future.

"Penfolds accepts that the department acted in good faith in carrying out the seizure and the department accepts that Penfolds acted in good faith in

using propylene glycol in the bulk catering keg wines.

"As far as both parties are concerned the differences between them are resolved. Penfolds acknowledges that it has no claim whatsoever against the Health Department."

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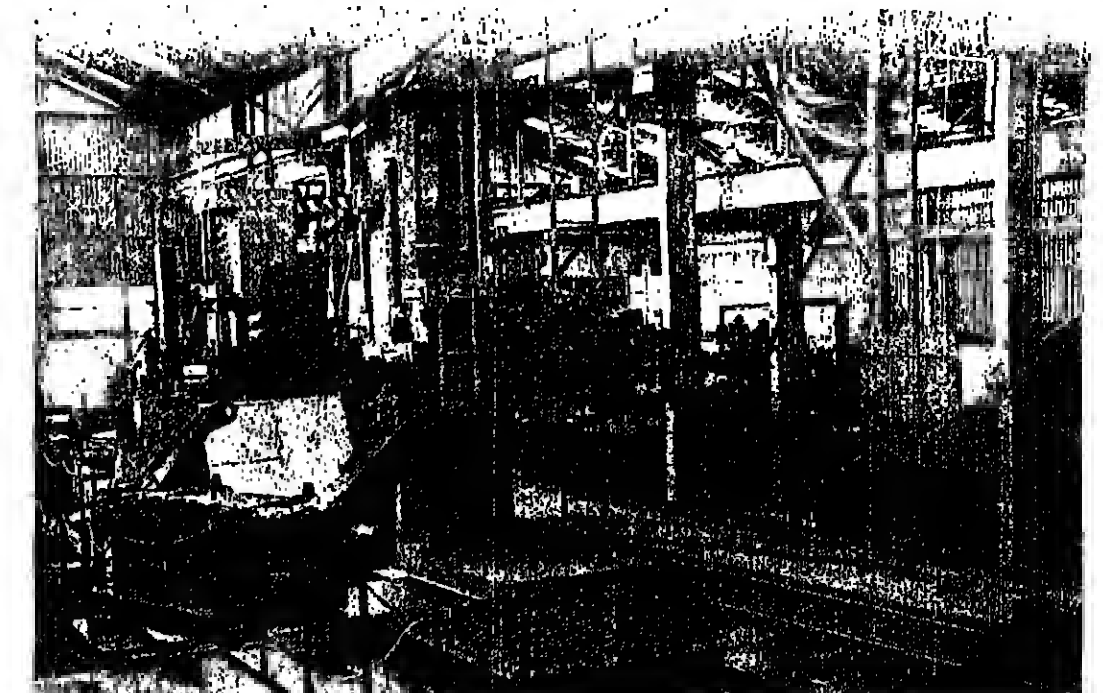
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## Editorial

THE commission of inquiry into the Marginal Lands Board's handling of a loan application from the daughter and son-in-law of a Cabinet Minister recommended that special procedures be adopted for the handling of representations to the board by relatives and personal friends of ministers. But early this month, Lands Minister Venn Young acknowledged that no action had been taken on that recommendation. The matter was not so urgent that it should be considered separately from the broad review of the Marginal Lands Board being undertaken by the Government, he said.

Labour's Geoff Palmer asked if the Government's inaction meant "that the public has no more protection against unwise acts by a minister in relation to application to the Marginal Lands Board than it had at the time of the inquiry." He was assured that ministers' actions were governed by instructions in the ministerial handbook (known as the Harker rules).

Just a few days later, television's Eyewitness programme informed us that Energy Minister Bill Birch and his wife owned about 20 per cent of the shares in Whakatere Developments Ltd, a company which owns land in the Coromandel. Yet the Minister most directly involved in the mining controversy that has blazed for months in the Coromandel and resulted in a comprehensive revision of the Mining Act assures us he did not know he had a personal interest in the matter through that land-holding. He said he had been unaware, till the matter was raised with him by the television team, that the company's land had been the subject of a prospecting licence (first issued before he became Minister of Mines and released this year by one of his departmental of-

ficers). He had been a director of the company since it was set up in 1972. But for some years, because of the pressures of his parliamentary duties, he had taken no part in the management of the company's affairs.

Birch did accept that the holding of an interest in the property was "incompatible with my position as Minister of Energy". And in a statement to Parliament, he said he was resigning his directorship and would be quitting his shareholding.

While the incompatibility between private interest and public duty has been of long-standing, and is not a phenomenon which accompanied public disclosure, Birch is convinced he has not breached the Harker guidelines for ministers which Young regards as an adequate safeguard against ministerial imprudence; they require a minister to resign any position "where he is aware of a conflict of interest". Birch argued — and "I was not aware of it until this week."

Those rules — not legally enforceable — require ministers not only to ensure that conflict does not exist, but also that it does not appear to exist between public duty and private interests. And as the New Zealand Herald tartly observed: "In countries which cling more closely than New Zealand to the Westminster conventions of preserving the semblance as well as the substance of propriety, resignation would have ensued promptly. It should here."

It won't. Ministerial resignations because of indefensible action, statement, or incapacity are a rarity here; the last occurred in 1834, when Sir Apiora Ngata resigned over administrative irregularities in the management of the Native Affairs portfolio. The absence of resignations

since then in no way proves that the 1958 Harker rules protect the public from foolishness (or memory lapses). Thus Parliament should examine closely the merits of a bill to be introduced by Opposition MP Mike Moore which would require all members to declare their financial interests, on the grounds that the public has a right to know the financial interests of parliamentarians, what property they own, and what source of income they have on top of their parliamentary salaries.

Since making his belated declaration of interest in the Coromandel property, Birch has produced another statement, covering other points raised by the television programme. It answered why the property was not registered in the Land Transfer Office (an "oversight" by a lawyer involved in the company) and why the company had not filed annual returns in recent years (an "oversight" by the company secretary). And as Birch told the New Zealand Herald, he had been happy to leave the firm in the hands of the other shareholders.

But that attitude to his directorial duties seems as cavalier as his overlooking a potential conflict of interest with his Cabinet duties has been disquietingly casual. Directors have a statutory duty to ensure that a company keeps its records up to date. The law provides penalties for failure to do this, although Birch could defend himself on the ground he believed a competent and reliable person had been charged with fulfilling the company's obligations and was in a position to fulfill them. In a comparatively recent case, the Australian directors of a New Zealand company won an injunction which allowed

them access to the company's premises, accounts and records on the grounds that they had a statutory duty to ensure the company's well-being.

The Mearns Report on the Companies Act 1955 recommended that we adopt a provision in Australian legislation which requires a reasonable diligence at all times — or energy, perhaps — in the discharge of directorial office. This is generally considered a desirable expectation of directors, but it has not been written into the law here.

While there is no legal requirement for directors to exercise skill, commitment and diligence in their companies' affairs, several well-established company law principles nevertheless prevail. For example, a director — unlike a manager — is not bound to give continuous attention to the affairs of a company; his duties are of an intermittent nature (although it is deemed a good idea to turn up to board meetings and Birch appears to have given fresh meaning to intermittent).

Another principle regards a director's knowledge and experience as relevant to the degree of skill which shareholders expect from him in the exercise of his directorial duties. This raises the question: is Birch sufficiently well informed and experienced to feel they were entitled to a better performance than he seems to have put to the venture? Or is his level of knowledge and experience considered commensurate to the service he has given? If the shareholders are satisfied, we may all wonder about Birch's capacity to direct the "Think Dip" projects which come under the umbrella of his ministerial portfolio.

— Bob Edie

### Without word of a lie

#### Cold comfort?

DID Penfolds see the Anoretic as a possible export market for wine?

Now the great flavouring dispute has been settled out of court, the question in many minds is "what exactly is propylene glycol?"

Even the experts seem none too certain; the substance is variously described as a preservative, a solvent for preservatives and an anti-foaming agent.

But a good few chemists must have guessed at a possible secret plan. The chief use of ethylene and propylene glycols is as anti-freeze.

#### From small acorns

ORGANISERS of this month's Forestry Conference were determined to show they like to get involved with their business.

A total of 10 working papers and associated documents were produced for the delegates. Five hundred copies of each were printed.

Some simple calculations show that these papers accounted for some 179,000 individual sheets of A4 paper which, if laid out end to end would stretch over 52 kilometres.

Unfortunately, we can't report how many trees all that paper absorbed.

#### Hope springs, etc

TITBIT from a Labour Party policy statement:

"Labour's regional development policy provides for local control over local affairs. Labour will remove the dead hand of Wellington from regional decision-making. . . . Labour will establish a Ministry of Regional, Community and Town Development to give a fresh impetus to regional development."

We are assured — and we can only marvel at the magnitude of Labour's expectations — that "this development" will not mean the creation of a new bureaucracy.

### Brockie's view



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## A new tax — cleverly packaged, of course

by Trevor Duston

WHILE the Plastics Institute's attention is focused on the IDC industry report on more insidious threat is taking shape — "product charges" or as they are often called "packaging taxes".

At the International Solid Waste Association conference at Wembley last year, packaging taxes were discussed by EEC officials. People I spoke to had resigned themselves to the inevitability of such costs. They consider it only a matter of time before such charges are added to their products and services.

Locally rumours are afoot regarding a private member bill involving packaging taxes. Much of the material comes from the "discussion paper" prepared by Dennis Rose for the Commission for the Environment.

The major difference between here and overseas relates to the reasons for the legislation. Overseas it relates to litter. As New Zealand industry is supporting the Litter Council such moves would not be political. Instead, the New Zealand effort is directed towards reducing the solid waste stream, plus resource management and recovery.

Efforts to reduce solid waste will find support from local authorities. Politicians could see it as an indirect contribution to local government funding without being a direct charge on taxpayers.

I recently spoke to a leading shirtmaker about this matter. He suggested packaging people must take steps to prevent it.

Regrettably his attitude is typical. Let somebody else fight the battle.

Plastics will be in the forefront. Non-biodegradable. Over-packaging. Non-returnable bottles. All will be given an airing. But make no mistake, "product charges" will bite much deeper — paper, cardboard, aluminium foils, cartons — and packaging users as well as manufacturers will be leaved.

And that's not the end of it. My informants say "anything likely to end up as solid waste"

could be taxed. That phrase could include motor cars and almost anything else made or sold in New Zealand.

The revenue to be generated by such taxes could be \$15,000,000 per year. If this figure is reliable, few products will be exempt. On the other side of the coin is the cost of collecting such taxes. Are we to see a new, massive department arise to administer this new source of revenue?

While I consider the basic aims of resource

management and recovery very laudable, I fear the results of any legislative moves of this nature. They are likely to be self-defeating. Revenue generated will be used to administer the department with little net gain.

Surely it would be better and easier for the Government to create the climate for selected recycling schemes at low interest rates and favourable conditions. If it moves in this direction, a good case could be made for the plastics industry to set up one or more recycling plants

to absorb soiled waste plastics to produce useful products.

If we make our wastes into useful products and remove them from the waste stream, there is no need for "product charges".

Trevor Duston is new product and development manager for Mainquod Packaging Ltd, of Christchurch. He travelled extensively last year investigating plastic waste and resource recovery.

## New twist on those old 'red tape blues'

IT is with much relief that I read Len Bayliss' recent comments on the stranglehold which Government exercises over the business community — good on him.

For about 10 years now my company has been importing a product from North America. It is a specialised form of insulation used in the manufacture or repair of an electric motor. Initially, we had difficulty in getting it classified for entry, and it was not until I made a special journey to Wellington at the time we landed our first order, that I was able to obtain a tariff opinion.

Some five years ago, someone in Customs decided we had been given the wrong tariff number. It was re-classified and we were asked to commence paying import duty.

The necessary form — in quintuplicate — was forwarded, quoting facts and figures, to apply for remission of import duty. Our application succeeded.

Throughout all these years, of course, we still had to apply for import licence to import the product. It comes in 19 different sizes, and two materials: we try to maintain stock of all 38 items.

Our customers are all busy people; so when Jack Smith rings from Tokoroa to ask for a couple of packs of this material — "in the bus

tonight please — I've got a breadown to fix" — we get his order on the bus and don't expect him to send a written order. After all, he always pays his bills.

Unfortunately, our willingness to co-operate with customers in the matter of saving time, paper work and postage, has led to us being penalised by the Department of Trade and Industry.

Our latest application for import licence has been declined for the amount asked for — less than \$5000 — and we have been offered licence for \$1500 only, because the information we provided — job price lists from our principals, stock levels, deliveries and sales over the past three years, precise details of outages, brief details of an order we wish to place on our principals, and copies of orders from one or two customers who always send written orders — do not qualify us, on present policy, for anything more than \$1500.

Never mind that, by buying larger shipments we are able to save a few dollars on shipping, and maintain our present prices for a little longer in the face of our own shrinking dollar.

Never mind that we are anxious to maintain full stocks in all sizes and materials as we approach the Christmas/New Year period when so many of our customers will be carrying out

maintenance programmes in industrial plants closed for annual vacation.

Never mind that this particular product is not made in New Zealand so we're not competing with a local manufacturer.

And when I was queried on the telephone about our application, I was most surprised to be asked to describe the product. There is a Government-run electricity department and when Trade and Industry people are required to examine import licence applications for technical products such as this, it would save much time and frustration if they would do their homework by learning a little about the product from other Government technical people.

So, how much longer are we to be plagued with bureaucrats who know little and care less about what really makes this country go. If this is what we can expect with a fast-track, more market Government philosophy, then I suggest we shift the Beehive and its inhabitants and hangers-on, to the Auckland Islands where they can mutter and pass clits to one another, while the rest of us try to get New Zealand back on its feet with the assistance of the many able minds that are currently being chopped down to size by a mini-Government.

Alan A Horley  
Alan A Horley Ltd, Devonport.

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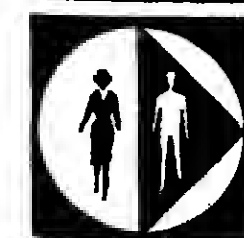
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**Your Auckland Opportunity** Auckland is our newest and fastest growing office with a team of seven. Like our Wellington office, we need someone to take charge of the creative side. This is a golden opportunity, particularly if you enjoy the stimulus of challenge and achievement.

If the time is right for you to make a move for yourself, phone Colin Sims in Wellington, Business 738-985, Home 687-752 and Owen Blockley in Auckland, Business 771-819, Home 478-3352.

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## Letters

## Car industry draft study

REGARDING the article by Allan Parker concerning the proposed restructuring of the car industry contained in your paper dated September 7, 1981, I would like to correct an error which is of some importance.

The article refers to a "leaked" draft study prepared by an inter-departmental committee on the motor industry which became public in July 1980.

I was responsible for drawing attention of the public and the media to the existence of the inter-departmental report. At that time, I was a Wellington city councillor and I had been nominated as a parliamentary candidate for the Hereford electorate in the Upper Hutt Valley which hosts General Motors New Zealand Ltd.

The report in question and a covering letter, was circulated by the Manufacturers Federation to its members. It was not "leaked". The report and the covering letter provided evidence that the National Government through its offices was negotiating with the owners of the motor industry for a period of at least six months regarding restructuring proposals.

There was no consultation whatsoever at that stage with the trade unions representing the people working in the motor industry.

The commission for restructuring secondary industries in this country was contained in the 1979 Budget. No thought was given to formulating a fair and balanced process by which an analysis could be conducted with the motor industry in consultation with all affected parties.

The ensuing row following widespread publication of the inter-departmental report had one benefit. The Government chose to use the Industries Development Commission as the appropriate instrument for diagnosing the industry and providing a forum in which interested parties could state their views before a prescription for the future was formulated.

The repeated labelling of "leak" has tended to divert attention from the fact that the attempt at restructuring was bumbling towards a disaster through the inter-departmental committees which were report-

ing to one side of the industry only, the owners. In fact, it was from an owner of an industrial plant that I was given the report with the request that widespread publication be given to it. At no time, have I been involved in the "leaking" of a Governmental document. I rebutted this allegation in the columns of the *Evening Post* two days after the initial publication.

W P Jeffries  
Wellington

WHETHER the word "leaked" was appropriate is plainly a matter of opinion, and we note that the copy of the inter-departmental report in our NBR library file carries a "confidential" stamp. At the time of its public release (?), the Government was somewhat embarrassed and angry that a document prepared by three Government departments had become public knowledge.

— Editor

## Radio station ratings

AS I have said before in your columns, we appreciate the informed debate on the state of radio that your newspaper stimulates. Warren Mayne's article in the September 7 edition entitled "Private Radio: Here is the Bad News..." was another example.

However, I wish to correct several impressions he may have inadvertently created.

We have had a consistent policy of releasing Radio New Zealand's commercial results. The performance since the introduction of Radio New Zealand in 1976 has been: 1976 \$2.8m deficit; 1977 \$1m deficit; 1978 \$0.09m credit; 1979 \$0.06m deficit; 1980 \$0.37m credit; 1981 \$2.2m credit. Unfortunately the 1981 result is not quite the ten-fold increase on the past year as quoted by Warren Mayne... but a clear indication of positive movement is apparent.

The IBA and ourselves combined to bring out from Canada the director of the Bureau of Audience Measurement. A series of meetings was jointly sponsored in Auckland, Wellington and Christchurch with industry users of audience research.

In his report, Mr Jones did make a criticism of the boundaries of surveys extending fairly widely, but added "this criticism would be because of its perceived partiality rather than any real deficiency" (P 6). Mr Wesley can't claim this overseas expert's support for his strong statement...

"There's something screwy about this one..." The fact is, that Radio New Zealand's programmes are out-programming their radio competition. The Invercargill figures had not been released to us at the time we spoke with Mr Mayne (after all, we too are only a subscriber to the BCNZ Research Unit's service) but we now have them. In Invercargill, Radio New Zealand's 42A attracts a 55 per cent share of the total audience share weekdays, against Radio Foveaux's 34 per cent.

Finally, without wishing to quibble, may I add that I believe Warren Mayne understated the performance of 12B in the Auckland market when

he says that a 5 per cent shift is "minor". This is the first time since 1976 that 12B has held a 10 per cent lead on its nearest rival — we think it is a truly significant result.

G Whitehead  
Director-General  
Radio New Zealand

## Unfair to Scouts

ONE can't help wondering what point Bob Jones was trying to make in his letter published in your issue of August 31.

Was he suggesting that there is something a little effete about someone who shows concern enough for young people to become a scout leader?

Would it have been more "macho" for Bill Rowling to have been involved in something like coaching rugby or boxing, leaving scouting to the "softies"?

If this is the case, then Bob Jones is the one who is guilty of

lack of awareness of public sensibilities and attitudes.

Many politicians and business leaders of all political persuasions have been involved as members or leaders of scouts and a host of similar youth organisations, and have retained respect for the work they undertake with young New Zealanders.

As at June 1980, scouts alone had over 50,000 members, 7446 uniformed leaders and 10,000 lay workers, more than the population of two parliamentary electorates.

Youth organisations such as scouts are involved in dozens of caring and challenging programmes, including Antarctic fellowships, aeronautical camps, safety education and programmes with the disabled.

Other groups, often less structured, cater for thousands more young people, and can only function thanks to the dedication and thousands of hours of free labour given by volunteer leaders.

The scout movement is not

in for a rough time in November.

It has been around for a lot longer than Mr Jones or any of the political parties, and will continue to gather strength for many years yet.

Malcolm Menzies  
Executive Officer,  
National Youth Council

## The jingle of success

ON Friday, September 4, 1981, the *Australian Financial Review* published a full page editorial entitled "If you can't sing it, it won't sell."

On Monday, September 7, 1981, *National Business Review* published a letter from a concerned visitor, one Jerry Della Femina on "advertising jingles", referring to the luxury which believes that sales messages should be sung.

Confused? Surely the main criteria is sales success.

R S Buddie, Director  
Campaign Advertising

## Politics

## Credibility: for once it's Labour that's winning

by Colin James

THE Government says credibility will be a major issue in the election.

It said this last time. "We're keeping our word," it said. Which word, it did not say. Not, it seemed, the one about rebuilding the shattered economy; nor the one about knocking the unions into shape.

What it really means by credibility is Labour's in-credibility.

Thus the Government's favourite theme of the moment: the cost of Labour's promises.

"This year the list of Labour promises is longer than ever and has reached the point of becoming a stupid farce," it said in its *Truth* column last week.

David Lloyd and his team of state-paid parliamentary re-

searchers for National MPs have laboured long and hard to bring the electorate the vital information that the total is now \$3000 million — without the tax proposals, yet to come.

One venture into the tax arena produced estimates of the cost of Labour's small company tax concessions ranging from \$262 million to \$681 million.

The upper figure is more than the total current company tax take. Lloyd issued a five-page paper last week to explain that most of it came from self-employed or partners moving into a company structure to pay less tax — but he overlooked a phrase in Labour's policy saying the concession was available only if two more staff were taken on.

Labour's reply in the costs debate has been a yawn — and an attack on the Government for its own profligacy.

Labour says it will produce a figure when all the policy is in, but that anyway it will be nowhere near Lloyd's, which includes promises that haven't been made or wildly overcosts those that have.

And, says Labour, the promises will be implemented only as the money becomes available from all the wonderful revitalising industrial and agricultural policies that Labour will use to rebuild the shattered economy.

Sophistry? A neat circular argument intended to prove that the promises will not actually cost anything at all? Yes — and it has a good pedigree: it was the line used by National to justify its generous, costly and now sacrosanct superannuation scheme in 1975.

So, at one end of the cost-of-Labour's-promises debate on "estimate" of getting on for

\$4000 million and at the other no cost at all.

If by credibility the Government means "capability of being believed", then neither is a convincingly deserving case.

"Credible" also means, according to the *Shorter Oxford Dictionary*, "worthy of belief or confidence; trustworthy".

Remember those little credibility problems Labour had in 1975 in the tourism portfolio with a company in which the minister was involved?

Well, National has one of those problems now. Bill Birch had a shareholding in a land-owning company that was, in his own words, "incompatible" with his ministerial portfolio.

Birch has been one of the Government's successes, pushing through difficult and complex decisions, with a high element of risk and a sense of

vision, and presenting them in a cool and reasoned way.

Within the party he has built a reputation as a smoother of troubled waters and as a respected and result-getting bearer of disagreeable news to non-performers.

His ability, plus a good political nose which he knows how to keep clean, has recently made him No 1 contender for the party leadership.

1, for one, am prepared to accept, at least for the sake of argument, that Birch was not scheming to get rich from his portfolio and stood to gain nothing, or nothing much, and maybe lose something from the prospecting privilege granted to Amoco over his company's land. (Though we may yet not have heard the last of it.)

But that is not the point. The point is, as the *New Zealand Herald* put it with eloquent sadness, that our fragile unwritten constitution depends on "preserving the semblance as well as the substance of propriety".

Birch did not preserve that semblance. His resignation should be not from his sterile directorship, but from his portfolio.

But even if we step down from the lofty heights of constitutional nicety — as this Government and others before it have repeatedly told us to do — Birch comes out of the affair badly.

We have been asked to believe that he was "completely unaware, until the matter was raised with me by television this week, that the company's land was a small part" of the Amoco prospecting block.

We have been asked to believe his fellow directors thought so little of the possibility of riches on their land that they treated it as a joke.

Strange bedfellows for a sober minister. And a somewhat casual attitude to the denial of his personal affairs on his part.

Thankfully, of course, he brings no such casual attitude to the administration of his portfolio. As a conscientious minister, he no doubt took an interest in what privileges his ministry was granting and where they lay.

He would have wanted to know where the big companies in particular held licences so that he could better deal with the anti-mining pressure groups he went to see in the Coromandel, especially since the Hauraki seat that envelops it is at risk to Social Credit in the general election.

And as a conscientious minister and a person of the highest probity, he (I have no doubt) would have declared his land-owning interest under Cabinet rules.

Oops, something doesn't quite add up.

Somewhere along the line, the minister seems to have been forgetful. There's nothing wrong with that. In this Cabinet forgetfulness is practised at the highest levels.

The Prime Minister could not remember whether he had told the rugby union at any time to call the tour off.

The Deputy Prime Minister could not remember what conversations he had about his daughter's marginal land loan.

The Birch affair is not a scandal (or at least not, at the time of writing). We can live with minor oversights.

But it is one more symptom of a Government in decline. This is a Government



Birch... likes to find out about the nuts and bolts.

which has so lost its judgment that it proposes to make an issue of solemn parliamentary privilege out of a few anti-tour moderates joining in the prayer at the commencement of House proceedings.

In the past month it has become rapidly harder to resist the conclusion that Labour is winning the election hands down.

Some signs:

• Jitters in the National camp in Auckland and south there that enthusiasm has taken a knock among party workers;

• Businessmen who two or three months ago were in little doubt about a continued National Government are now either hedging bets or openly predicting a Labour win — and some even hoping for it;

• Secret dinners to discuss what needs to be done after the defeat;

• A National candidate with high hopes and untimely enthusiasm earlier in the year now grimly going through the motions;

• And suddenly a bubbling, bouncy, buoyant Labour Party, such as hasn't been seen since 1972 — this time with some money and members to boot.

And note a subtle shift even in the Prime Minister's public face.

Earlier in the year he was gleefully perceiving portents of Labour's demise as the leading opposition party.

But recently, in his writing and in an interview, he has dismissed Social Credit and elevated Labour to the status of a potential alternative Government.

While being "relaxed" about winning, he told Sopac's Eric Benton: "We are vulnerable in a number of seats. I'm worried about one or two city seats" (but the tour would hold the provincials).

One little sign of that worry: he has taken to attacking journalists again — the *Dominion's* Richard Long at his press conference last Monday and myself at the recent Dominion council (a "strange little man", he said, with unintentional irony).

There are still two months to go. As a hard-headed Labour organiser said last week, the scene is too volatile to count on anything yet. The destabilising effect of the tour may be accentuating the apparent anti-Government upsurge.

But in the sort of mood now prevailing "credibility" is not about the cost of promises. That did not stop Labour winning in 1972. It is about whether the Government is in command or whether some other lot could not be worse.

coining after the MacIntyre-Young affair last year, is a luxury that Government can not afford.

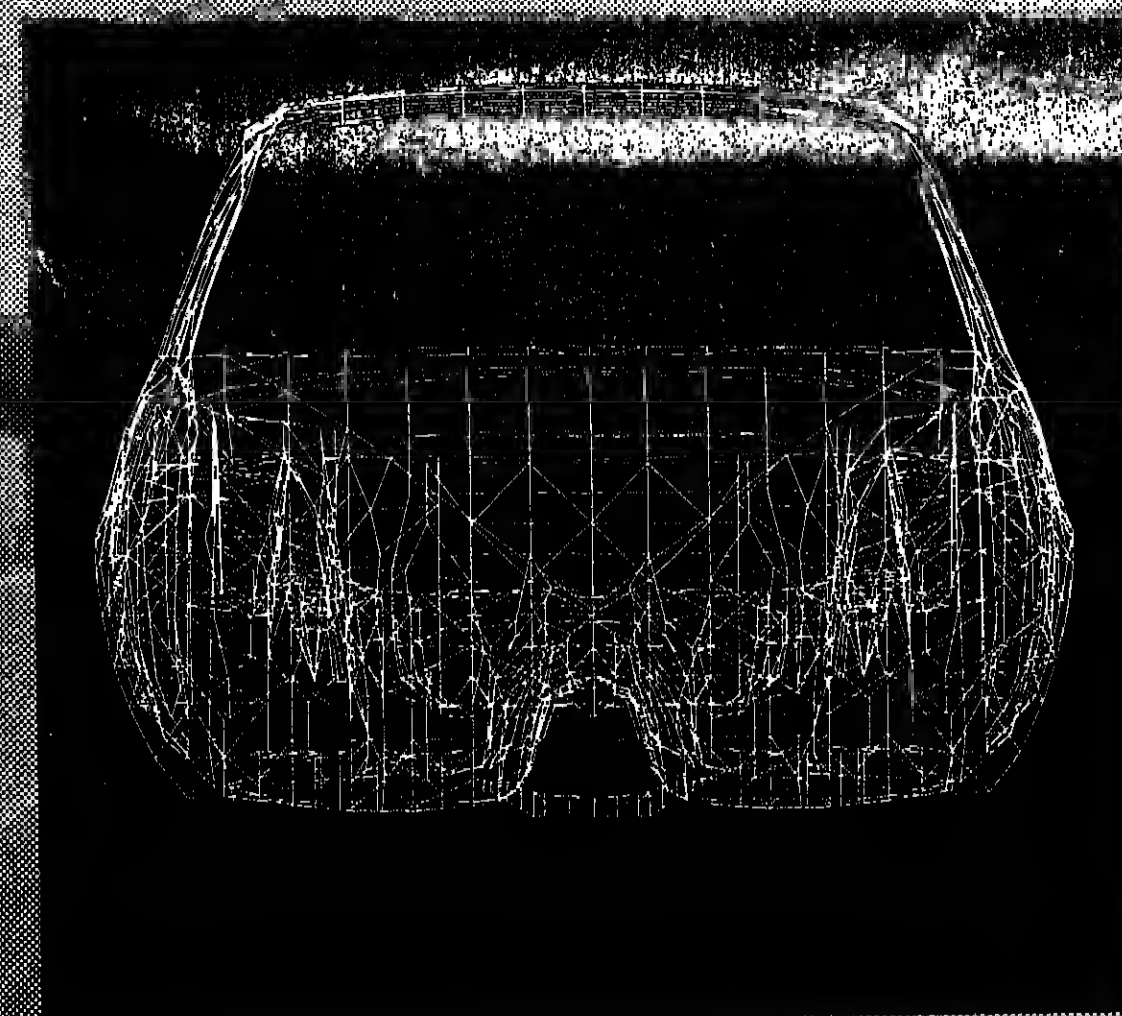
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1ZM leads Pacific.

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2. Waikato	— 35 percent

## PALMERSTON NORTH

1. 2ZA	— 52 percent
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## WELLINGTON

1. 2ZB	— 41 percent
2. 2ZM	— 19 percent
3. Windy	— 14 percent

2ZM moves up 4 percent to regain second place with its highest rating since 1978 — Windy now trails 2ZM by 5 percent, while 2ZB moves up 2 percent on last time to maintain its Wellington market dominance.

## CHRISTCHURCH

1. 3ZB	— 45 percent
2. Avon	— 18 percent
3. 3ZM	— 14 percent
4. Rhema	— 3 percent

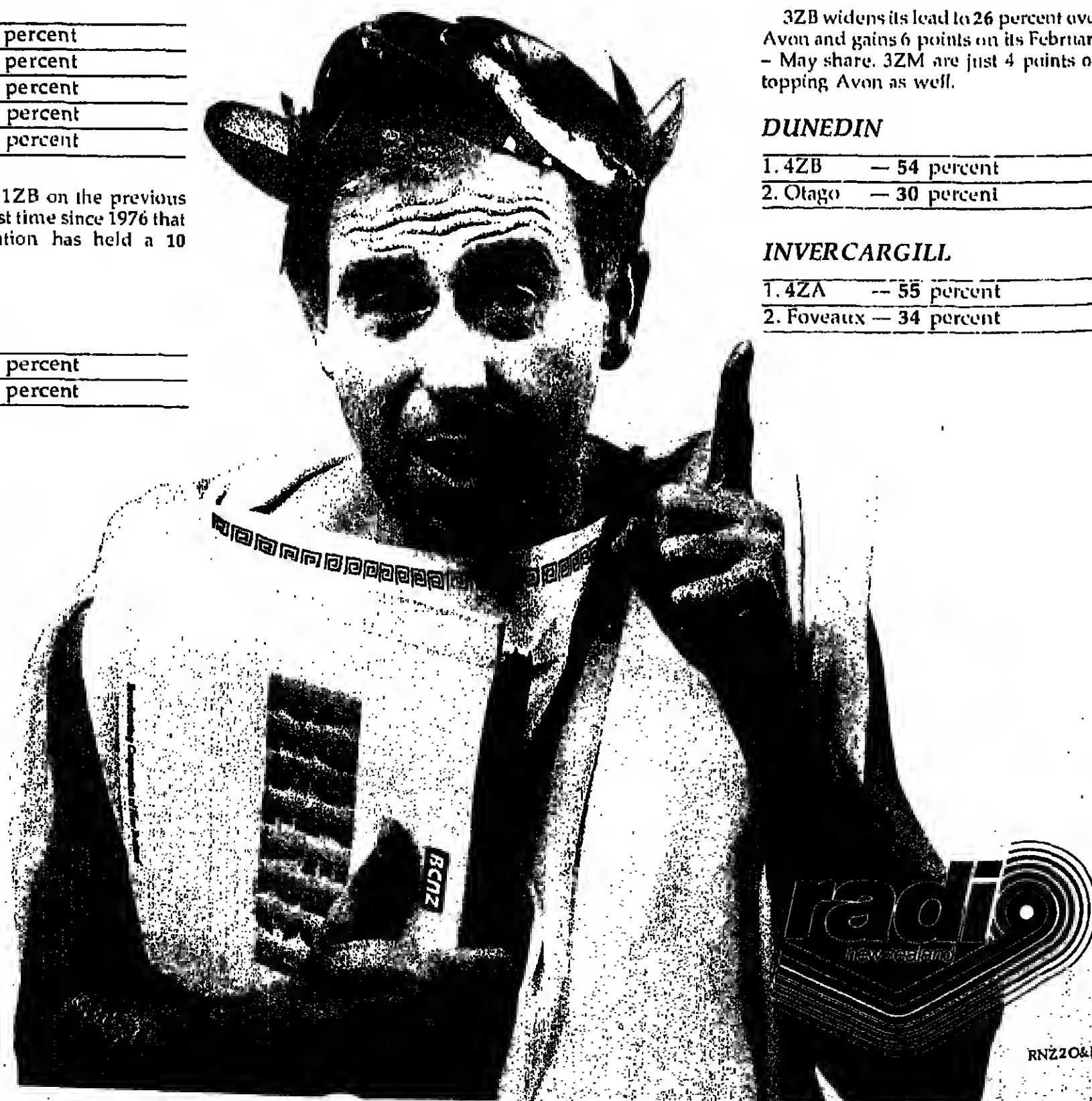
3ZB widens its lead to 26 percent over Avon and gains 6 points on its February — May share. 3ZM are just 4 points off topping Avon as well.

## DUNEDIN

1. 4ZB	— 54 percent
2. Otago	— 30 percent

## INVERCARGILL

1. 4ZA	— 55 percent
2. Foveaux	— 34 percent



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## Economics

# Making a case for public awareness of economic issues

by Bob Edlin

THE news media, business leaders, Government politicians, departmental officials, the Planning Council — all these were indicted last week for their failure to raise the public awareness deemed essential to improve the calibre of economic policy-making.

The charge was levelled by Institute of Economic Research director Kerry McDonald in his last address to the institute's annual meeting before he takes up his new post with Comalco. And at the risk of being accused by McDonald of bias (one of his complaints about our coverage of the aluminium pricing debate), we must declare our enthusiastic endorsement of his views.

They trenchantly contributed to a cause pursued in this column — the heightening of public awareness on economic matters — over several years.

Above all, McDonald called for a greater level of personal commitment and contribution to public debate from the country's economists if a reasonable level of public economic information and analysis were to be achieved.

After presenting a raft of data which he described as characteristics indicating "an unsatisfactory element in New Zealand's economic policies," he asked: why has our economic policy and performance not been better?

His "possible causes" included:

- A low standard of policy analysis and research;
- Poor judgment in decisions;
- Imperfect knowledge and foresight and political considerations.

Focusing on the first of these, he contended that the economics profession had made an inadequate contribution towards sound economic policy.

This stemmed partly from the unwillingness of governments and their research advisory agencies to support economic research — "but it also reflects the *modus operandi* of most resident economists."

Some responsibility for bad policy lay with officials and politicians directly involved with economic policy — but, more fundamentally, their responsibilities had to be viewed in the broader context of our three-yearly elections. And so the electorate must bear some responsibility for the standards of policy decisions.

That led to McDonald's contention that a major problem is "the insufficient understanding of economic affairs in the community and the lack of awareness of the basic interdependencies and relationships in the economy."

The community therefore could not adequately weigh the merits of competing economic policies and was "unwilling to give sufficient support to essential policy changes with immediate costs but greater future benefits."

Inadequate public economic understanding encouraged a short-term orientation in policy. Politicians were coerced into a short-term focus; unsatisfactory, short-sighted fire-fighting policies prevailed.

The resultant environment fostered "obfuscation and narrowly self-serving views. Veiled interest groups including opposition parties may achieve unjustified credibility; with superficially attractive but socially undesirable policies and politicians and officials are

PROFESSOR Paul van Moosake was applauded last week for speaking out publicly on economic matters.

The praise came — surprise, surprise — from Kerry McDonald, director of the Institute of Economic Affairs and harsh critic of van Moosake's analysis during the Great Smelter Debate last year.

Van Moosake's analysis raised fundamental questions about the worth to the national benefit of the second aluminium smelter at Araroa.

In the bitter debate that was generated, McDonald was the most prominent economist to challenge van Moosake's views (and to vigorously condemn this newspaper's presentation of the arguments).

rely given the praise or opprobrium that they really deserve."

McDonald identified "select areas" of the news media as one target for criticism. ("They thrive on a protracted debate, especially when material is spoon-fed to them and the subject is sometimes topical... bias is sometimes evident and I occasionally wish that these news outlets had rather more capacity for informed analysis and critical comment on the views that they carry.")

But he acknowledged that the channels of communication were open and specified three areas of responsibility to explain why the public was not better informed on economic issues:

- The economics profession;
- Government suppression of most official analysis on the state of the economy and policy options and the general prohibition of participation by officials and departments in official debate;
- The unwillingness of research funding advisory bodies (such as the National Research Advisory Council and the Social Science Research Fund) to recognise the importance of economic research on major policy issues.

McDonald called on economists to engage not only in research and closed conferences, but also in reasoned argument and critical comment in public "with the prime objective of directly and indirectly encouraging a better standard of economic decision-making."

And he called on them to present their views "in a way most likely to improve public knowledge — simply..."

He called on private sector companies to encourage their economists to contribute to the debate (and thus help shape a better economic environment).

Company chairmen were criticised for being forthright in commenting on the implications of the economy and economic policy for their businesses, but "giving no persuasive support for better policy or public commitment to the type of policy that would achieve it."

Academics had a vital role to play because they had the time and resources; "... they have more responsibility than many of them seem to recognise to play a more public role."

McDonald joined the growing army of those who decry Government obsession with tightly controlling the flow of policy-related and economy review information between department and public — "... the departments represent one of the main repositories of economic ability and information."

"Informative public papers by officials on economic policy issues were 'extremely rare' he said. So too were public comments by officials' indi-

vidually or departments on the state of the economy or the merits of policy options. (The Reserve Bank was "a valuable exception," its governor had been "refreshingly forthright and innovative in public comment...")

But neither the Reserve Bank, nor Treasury, produced any public policy oriented assessment of the state of the economy — "and Treasury makes no public contribution to debate on policy issues," McDonald called for officials

to be allowed to publicly express "technical" views on policy options when a change in policy was being canvassed or in regular published departmental reports. And he called for official papers assessing economic policy options generally to be made available to the public.

He urged greater professional support for the reports of the Economic Monitoring Group. And he asked — or was it a plea? — for something other than "the bland and often unsubstantiated views" in many Planning Council publications, and for greater emphasis from the council on co-ordinating or coercing economic research agents to ensure adequate coverage on major policy issues.

Providing broadly representative opinion was a political function "which is incongruous for a non-elected body

such as the council," he argued.

The council should generally "initiate and orchestrate analysis and debate on policy issues," placing greater emphasis on an analytic foundation for its view.

Another push was for greater Government commitment to funding economic research.

McDonald suggested this might be deliberate — to constrain the public economic issues and maintain freedom for policy manoeuvre; to reduce the need for public justification of specific policies in the face of possibly critical views; to create a myth about the inherent difficulty of economic policy and the "unique" qualities of governments to cope — or "or it may just reflect scepticism about the value of economic research."

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# FCL's tax-free dividend may be tested in court

by Peter V O'Brien

FLETCHER Challenge's decision to recommend an effective 30 per cent dividend from tax-free sources might run into snags if it is approved at the annual meeting, then challenged in the courts before the Government amends the accounting provisions of the Companies Act.

The company announced a net profit of \$96 million last week for the accounting period to June 30, which includes varying periods for the three constituent companies.

FCL's preliminary said the result was accounted under the "pooling of interests" method. Unless the Government introduces amending legislation quickly, that method will create problems in relation to a dividend payout of \$32.8 million for the ordinary shares and

\$3.55 million for the preference shares.

A British High Court decision, *Shearer v Bercain*, in March, 1980, held that dividends may never be paid out of pre-acquisition profits (profits arising before the date of the merger) irrespective of whether the "purchase" or "pooling of interests" method is used to account for the new business entity.

Canterbury University's C A P N Carlaw discussed the decision and its effects on accounting practice in the August, 1981, issue of *The Accountants Journal*.

The relevant sections of the Act and statements of accounting are the same in Britain and New Zealand, so the court decision is relevant here.

Pooling of interests results in no share premium account being set up in the new company

to take account of the "fair value" of the assets being acquired.

Carlaw says the whole of the combined reserves is distributable in theory. "In fact SSAP-8 (para 4.17) explicitly states this to be so," he wrote.

"The pooling of interest method has therefore considerable attractions, mitigated to a minor extent by the creation of the tax free reserve (share premium account) under the purchase method."

Mr Justice Walton held in *Shearer v Bercain* that the appropriate section of the British Act should be applied to set up a share premium account, irrespective of the assets received in the merger.

He said that, under the equivalent paragraph of the eighth schedule to the New Zealand Companies Act, pre-acquisition profits were

unavailable for distribution as dividends to the members of the holding company.

If a share premium account is set up after applying the purchase method in the light of the British decision, application would have to be made to the New Zealand High Court for distribution as a tax-free payment.

Since this account would reflect the "fair value" of the assets obtained in the merger, it differs from amounts raised in an issue of shares to shareholders for cash at a premium.

An attempt to distribute such funds from this account could be considered a reduction of capital.

So how does Fletcher Challenge recommend for approval a dividend of \$32.8 million to ordinary shareholders from tax-free sources, unless the Government, as is

likely, changes the law before the annual meeting?

In theory, the company could deduct the \$55 million earned in the period to December 31, 1980 (roughly the term of pre-acquisition profits) from the \$96 million, leaving \$41 million to cover the payment.

But it is doubtful that much of the \$41 million was "tax-free" profit.

*Shearer v Bercain* was not appealed in Britain, and there might be a division of opinion in our legal circles on its validity.

It also does not necessarily follow that a British High Court decision from one judge sitting alone would be accepted here, particularly in the Court of Appeal.

Three parties could question Fletcher Challenge's dividend payment in the court, under existing law, and assuming, for

the sake of argument only, no amending legislation.

Shareholders are unlikely to do so, because they want their money.

But Inland Revenue has an interest, because New Zealand shareholders would escape tax liability. (Of course, Inland Revenue might be in on any proposed amending legislation.)

Creditors could have a case, but it would be a brave creditor who took on Fletcher Challenge over this issue.

The British authorities are preparing legislation to nullify the High Court decision, and it is understood that, following representations, the Government here is about to alter our law to clear up any doubts.

Fletcher Challenge will be in the clear if that legislation is passed before the November annual meeting at which the "recommended" dividend will be "declared" on a vote of shareholders.

The issue is important for companies and the Accountants Society, because paragraph 4.17 of the New Zealand SSAP-8 says: "Thus the net amount of the distributable reserves of a subsidiary as at the date upon which the pooling of interests takes place should be treated by the parent company as being available for distribution to its members" (NBR emphasis).

*Shearer v Bercain* effectively decided that that statement is wrong, and contrary to the provisions of the Companies Act.

The financial gains of Fletcher Challenge are no doubt augmented with weighty opinions supporting their actions, or with a Government agreement to change the law before November.

But the British case has serious implications for other New Zealand companies if it cannot be distinguished.

Company directors last week were shuffling uneasy, but understandable, interest in the Fletcher Challenge dividend recommendation.

## Downtrend confirmed

THE United States Government's index of leading economic indicators, which foreshadow broad future movements in the economy, fell for the third consecutive month in July.

The third successive drop "implies that business activity will be sluggish in the months ahead," Commerce Secretary Malcolm Baldrige said.

"No evidence of sustained growth is yet in sight."

The slender 0.1 per cent July decline followed a like downturn in June and a 1.6 per cent drop in May.

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# Here's looking at the ones we may have overlooked

by Klaus Sorensen

THE hunt is on again for those stocks the market may have overlooked.

Every couple of months, when a degree of historical price resistance affects the sharemarket's favourites, some investors begin to look around for situations which appeal on grounds of special interest (takeovers), fundamentals (dividend yield or price earnings figures) or future prospects.

But this time it isn't just an historical resistance which is sending people looking for shares which may still have a run left in them.

Different sectors come in for attention at different times, but in recent months the heavyweights such as Fletcher Challenge and NZ Forest Products have fallen from favour, and now investors are inspecting the likes of pastoral companies as well as the specialist manufacturers and traders like Fisher and Paykel and New Zealand Motor Corporation.

The NZ Forest Products cash issue has, in a strange turn, dampened new investment interest in this stock, even though the current entry prices for the rights seem attractive.

Fletcher Challenge has at least got its long-awaited result over and done with, but the spectre of the export incentives removal threat still hangs over the giant.

In addition, recent takeover activity has produced a fresh cash injection from buying interest in companies like Mohr Traders, MSI Corporation and Bing Harris.

Those fortunates who have capitalised on these investments may not care to take the risk and invest in forestry with its current uncertainty — so now the brokers are busy finding alternatives.

In a flurry of analysis, the major brokers have produced newsletters with a number of firm buy recommendations for the medium-weight shares, in the past months or so.

Wellington broker Jarden and Company still seems to be king of the roost in terms of research, though Auckland broker Buttle Wilson is closing fast in terms of the volume of research it is producing, and its August letter put the newspaper industry to the test.

According to Jarden, the newspaper companies have had difficulty in obtaining the full benefits of new computer equipment because of industrial problems. But cost savings are beginning to flow through and the firm believes selected newspaper stocks could be good buying in the short to medium term because of improving election-year domestic economic conditions.

Historically, of course, the newspaper companies have hardly been star performers, and Jarden believes three main factors have held the industry to around the market average in terms of growth.

It cites depressed economic conditions which have restricted advertising and circulation growth, costs and difficulties with new technology and "some disappointing attempts at diversification."

**National Business Review**  
the newspaper that sorts out the economy for economists.

Circulations have fallen for the daily papers, with a couple of notable exceptions, INL's *Dominion* has lost 17.2 per cent of circulation sales in the 1970-80 decade, the group's *Evening Post* is down 7.3 per cent, NZ News' *Auckland Star* is down 5.6 per cent, *Christchurch Star* down 9.4 per cent, and the only two rises were recorded by the *New Zealand Herald* at plus 8.1 per cent and the *Christchurch Press* at a remarkable 12.5 per cent.

Jarden says the industry is characterised by a high proportion of fixed to total costs — with Labour accounting for 35 to 40 per cent of costs and materials at 20 to 30 per cent.

Revenue comes from advertising (70 to 75 per cent) and circulation sales of 25 to 30 per cent.

So, "as both circulation and advertising revenues are sensitive to economic conditions, newspaper profitability is expected to increase significantly if the current improvement in economic activity continues. Also election years are traditionally good for newspaper advertisement levels."

"At the same time the introduction of more efficient production methods is giving the companies plenty of scope to control costs. Although the industry still has to resolve a number of union demarcation problems we believe that the short to medium-term outlook for the newspaper companies is very good."

Jarden is picking sizeable profit increases for the publishers in the 1982 year. It predicts a rise in profit from \$692,000 to \$760,000 for the Christchurch Press Co Ltd, a climb from \$2.7 million to \$3.5 million for INL, \$3.1 million to \$3.7 million for NZ News, and a \$4.4 million to \$5.1 million lift for Wilson and Horton.

And the firm believes the newspaper groups might also be more generous with dividends. The Christchurch Press is estimated to increase its 1982 dividend to 14 cents (from 12.5 cents) while INL could lift its dividend from 15 cents to 18 cents, NZ News from 20 to 24 cents and Wilson and Horton from 21 cents to 23 cents.

But Jarden warns that a rise in newsprint prices at the end of the year could cloud the issue.

At present the newspaper publishers are paying \$428 a tonne and this will rise to \$453 a tonne in October. But "when this contract expires in December 1982 Tasman will want to bring domestic prices more into line with export prices. It is too early to tell to what degree the newspaper companies will be adversely affected by such a move," says Jarden.

Buttle Wilson has recommended both Carter Holt, despite the export incentive uncertainty, and New Zealand Motor Corporation in its recent letters.

The Auckland broker says Carter Holt should earn at least 15 per cent more at \$12.5 million for the 1982 year which would finance a lift to dividend

from 20 cents to 22 cents on cash issue-increased capital.

Buttle points to Carter's strong export sales picture, saying export sales from the Pan Pac pulp mill at Whirinaki have risen more than 33 per cent compound since commissioning in 1973 — from \$6.8 million to \$50 million.

Carter's fishing investment has also proved successful with fish sales from the Sealord operation in Nelson reaching \$24.5 million in 1981, of which \$18.9 million (77 per cent) was exported.

Buttle believes the market has over-reacted to the Prime Minister's threats on incentives, the need for them is acknowledged and "it is unlikely the Government will overnight disadvantage one of New Zealand's fastest growing export industries which now accounts for 10 per cent of total

export receipts, particularly when the industry is on the threshold of a major expansion programme to meet dramatically rising wood supplies."

The firm believes New Zealand Motor Corporation will really hit the straps in the 1982 financial year, with a 54 per cent increase in earnings to \$7.7 million thanks to the burgeoning new car market sales of Hondas, and the television rental diversification. On the basis of a rise in dividend from 15 cents to 15.5 cents, on bonus increased capital, NZMCO would yield a very high 8.8 per cent with a low projected price earnings ratio of 4.9.

O'Connor Grievie and Co expects a recovery in the pastoral sector in 1982, with farm prices moving ahead of costs.

For 1981 farmers experienced a 23 per cent cost increase and only a 7 per cent rise in

prices. For 1981/82 the tables should turn with a 24.5 per cent rise in farmgate prices and a 18-19 per cent increase in farm inputs.

This could mean a rise in Allied Farmers' earnings from an estimated 1981 earning per share of 43 cents to 52 cents in 1982. Crown should earn 29 cents in 1982 (predicted 22 cents this year) while Dalgety should increase eps from 40 cents to 52 cents, Hawkes Bay Farmers from 37 cents to 48 cents, and NZFCA is expected to boost earnings from 15 cents to 19.6 cents in 1982.

O'Connor Grievie is predicting the June 30 1981 results for the pastoral companies will be almost unchanged, and for this reason suggests investors wait till the 1981 results are announced before taking a position.

But Auckland's Bidwill

Wakeman Paine and Co has taken another tack.

It has prepared a major report on the merger of Phillips and Impey Ltd and the local subsidiaries of the Australian owned James Hardie Industries.

Bidwill believes James Hardie Impey, as it is now called, could prove the dark horse.

The firm believes earnings per share will rise from 32 cents in 1981 to 41.5 for 1982 and then to 50 cents in 1983.

But the real progress is expected in dividends with a doubling of payouts in two years. This year James Hardie Impey Ltd paid 9.25 cents and Bidwill expects this to rise to 15.8 cents in 1982 and then to 20 cents in 1983.

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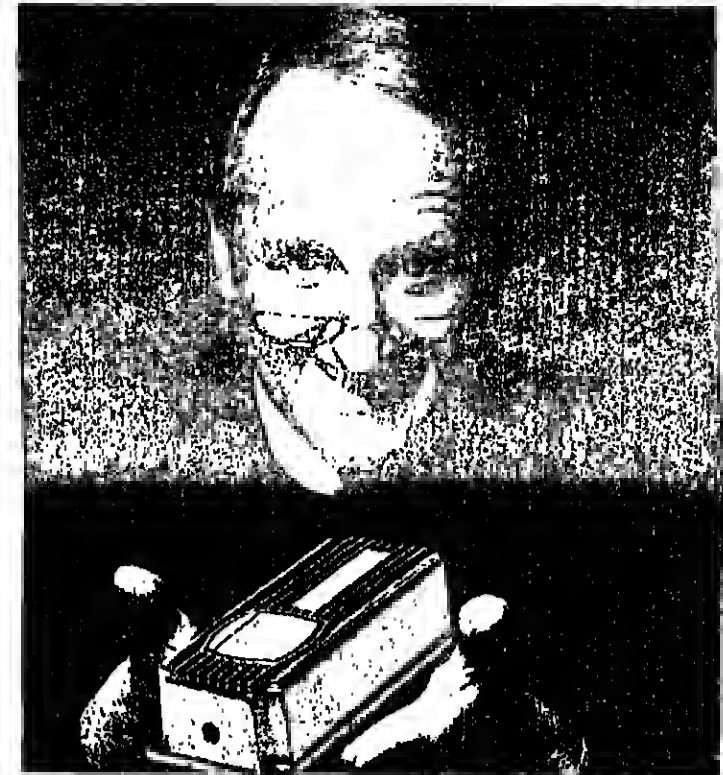
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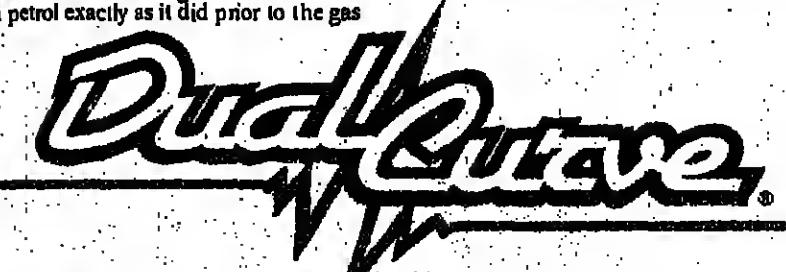
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## Meat industry

## London talks to restructure Borthwick

From Page 1

To ensure that speculation and concern did not affect financial support, the company took an initiative which led to the complex negotiations in London.

In fact, the New Zealand processor has just recorded a profitable season, with a record throughput of more than four million sheep and lamb units — more than one million at each of its works.

Borthwick CWS is a joint venture between Borthwick Australasia (which operates Australian freezing works) and the Co-operative Wholesale Society (a British company owned by the powerful Trades Union Council which also has interests in the Ocean Beach freezing works).

Borthwick CWS has six major financiers in New Zealand: The Development Finance

Corporation, two banks (the National Bank and Bank of New Zealand), two merchant banks (NZI Securities and Chase NBS) and an American bank, Wells Fargo.

The National Bank and Bank of New Zealand also have money in Borthwick Australasia, which operates as a meat marketing arm in New Zealand.

Complicating the inter-relationships further, the National Bank is owned by the giant British insurance group, Lloyds, which has a stake in the troubled British operations of Thomas Borthwick & Sons.

The restructuring therefore became a major undertaking.

The New Zealand and British Governments have been kept well informed of progress because of the respective national interests.

In New Zealand, for exam-

ple, the freezing works and marketing operations of the group provide valuable export earnings. They also employ thousands of New Zealanders in largely regional areas.

The London negotiations resulted in a "heads of agreement" package that "clarifies the rights and duties of the respective camps," according to one source.

But negotiations are continuing to win acceptance of that agreement by the 33 banks scattered around the world which are — or will become — lenders to one or all of the Borthwick groups.

Precise details of the new financial structure are still secret.

But there is no change in the loan percentages and, according to the source, "nobody's pulling out".

Rather, the restructuring has

been aimed at reconciling the interests of the various parties.

"The package is as good as could have been expected," NBR was told.

"There was some hard-nosed bargaining but I doubt if anything better could have been achieved."

The management structure in New Zealand will remain the same, NBR was told. However, as part of the agreement, the New Zealand board and management will have a greater degree of autonomy from the parent.

Two senior DFC personnel — John Holdsworth, the corporation's deputy general manager and head of its corporate finance division, which deals with large financing arrangements and Thur Borren, central region manager of the division, were involved in the

two-week negotiations in London.

The DFC was not prepared to make any comment. It is said to have acted throughout the difficult, time-consuming negotiations as the catalyst for the financial reforms — a role not uncommon since its Tasman and Mosgiel activities.

The actual borrowings in Borthwick CWS run into millions of dollars but in total represent only about one-third of its total assets.

"That's pretty reasonable gearing in this day and age," said one of our sources.

Borthwick CWS runs four freezing works — Wainuiomata in the Wairarapa, Waitara in Taranaki, and two Manawatu works at Longburn and Feilding.

Company chairman Peter Numan was reported last month as saying: "It was ab-

solutely essential this season that we got a vast increase in stock throughput, and in fact this is exactly what has happened."

Norman told NBR last week. "Negotiations are proceeding satisfactorily and a statement will be made in due course when they reach a conclusion."

## Education

## Polycorp answers

POLYCORP, the organisation set up to handle the running of the proposed Poly school computer system, would not be a Government-run exercise working counter to the local private-sector computer industry.

This rebuttal to the critics of Poly in the private industry was delivered last week by Neil Scott, the prime mover of the educational computer, designed by Wellington Polytechnic staff for use in secondary schools.

Scott says Polycorp will only handle the marketing of the system and possibly some of the final assembly. The rest of the Poly building exercise will be contracted out to private firms.

Far from ignoring the private electronics industry, the project would present "tremendous opportunity" for its growth and the emergence of new, ancillary industries.

The latest misgivings stem from some local manufacturers, who have formed themselves into a Microcomputer Industry Association.

The MIA lobby contended that the technology used in Poly was not the latest and best available and that comparisons with other available systems had at best been superficial.

Scott reacted strongly to these suggestions. Thorough research had been conducted at the beginning of the exercise into the state of computer-aided education around the world and the hardware components available, he said.

The technology in Poly was not the most advanced, because of time and cost constraints, and because many of the new products were untried, said Scott.

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## Law

## 'Passing-off' not at all legal pie in the sky

by Jack Hodder

AT a time when the Australian meat pie business is reeling in the wake of the "slaughtergate" scandal, it is of some interest that old-fashioned competition (not to mention old-fashioned litigation) is alive and well in the meat pie (frozen varieties) business in Christchurch.

Last month Tiffany Frozen Foods Ltd, of Christchurch, started making frozen mince, steak and cottage-pies and distributing them through its existing retail market to finish up in supermarket and dairy freezers.

These pies were marketed in a foil plaiter — either of two standard sizes — and a low rectangular cardboard container. The containers feature illustrations of the pie (with a slice removed to show the filling) on earthenware plates, with vegetables behind them, against a dark background which brings the descriptive lettering, the brand logo and the food into contrast.

That may all seem unremarkable but it provoked another Christchurch company, Simons Bakery Ltd, into seeking an injunction against Tiffany to prevent the latter from using such illustrations on the pie containers.

Simons has been making similar sized frozen pies for a year or so and marketing them in Christchurch and other South Island centres. Its containers also feature illustrations of the pie (minus one slice) on a plate with vegetables and a dark background which highlights the food and the lettering.

The Simons litigation is based on the tort of "passing-off" (of one's own goods as the goods of another) and claims distinctiveness of (and protection for) "the particular artistic concept of the illustrations on its packets... the picture of the food, the positioning of the slice, and the general colour of the picture and the package."

Further discussion of this particular litigation is best postponed, for the main hearing has yet to take place. In last month's preliminary round, Mr Justice Herdli Boys refused Simons' application for an interim injunction against Tif-

fany (pending the trial proper) — in part because he considered the Simons' case, on the evidence then before him, was not strong. (The outline of facts given above is taken from his judgment on the application.)

The tort of passing-off is deserving of further discussion. It has produced some fascinating cases and is of considerable commercial significance. Two recent examples also involved Christchurch.

In October 1979 the New Zealand Farmers' Co-operative Association of Canterbury Ltd brought a successful action for passing off, based on the use of the word "Farmer" in the retail area, to prevent the Auckland-based Farmers' Trading Company Ltd from calling its stores "Farmers" or "Farmers' Trading" in Nelson, Marlborough and Canterbury.

In February this year, Dominant Rent-a-Car Ltd successfully stopped the opposition from using the word "Budget" in the South Island rental car market pending full trial of its passing-off action.

The basic principle underlying the tort of passing-off is that nobody has any right to represent his goods as the goods of somebody else. It effectively protects the goodwill of a producer of goods.

At the simplest level this means that, irrespective of any registered trademarks, you cannot start making your own cars and marketing them as "Rolls Royce" cars. Not even if you change your surname to "Rolls Royce".

More difficult cases arise when words which are descriptive become associated with a particular manufacturer. In a classic English decision in 1896 a firm which marketed belting made from camel hair yarn as "Camel Hair Belting" was able to stop a former employee from marketing similar belting in the same way after showing that those in the trade associated those words with its goods.

Conversely, a manufacturer's or brand name may become so closely identified with a product that it becomes descriptive of the product, for example "Thermos" for vacuum flasks,

and a defendant may be able to show that the word complained of is used merely for description.

Although the passing-off action is traditionally associated with the goodwill of a particular trader, the last decade or so has seen an extension of the action to protect the goodwill of a class of traders.

After successful cases brought by representative producers of French champagne (to prevent the sale of "Spanish Champagne"), of Scotch Whisky (to prevent an Ecuadorian blend being sold as "Scotch" and "Whisky") and of Spanish sherry (to prevent the British product being sold as "sherry"), the seal of approval was given by the House of Lords in 1979 when a producer of Dutch advocaat successfully prevented a British product based on a different recipe from being marketed as "Old English Advocaat".

Among the most difficult cases are those where protection is sought for the general "get-up" of goods rather than for particular words or symbols. The Christchurch frozen pies contest is such a case. Another recent example came before the Judicial Committee of the Privy Council (our highest court) late last year on appeal from New South Wales.

That case had its origins in the acceptability of lemon squash as a (very occasional) substitute for beer in Australian licensed premises. Using this phenomenon in the market battle against Coca-Cola, Cadbury Schweppes Pty Ltd commenced the manufacture, marketing and advertising of a new lemon squash, "Solo".

This was sold in beer-type cans of a particular colour and extensively advertised on TV. The emphasis of the advertising was the rugged all-Aussie male ripping into a can of "Solo", immediately after some epic lone male encounter with wild water or horses, and making a favourable comparison with the old-style pub squash.

Shortly after Cadbury's extensive advertising campaign got under way another company, Pub Squash Co Pty Ltd, commenced marketing a lemon drink called "Pub Squash" in

beer-type cans of a similar colour and with a similar shaped label to those of "Solo". Not to mention a style of advertising which emphasised heroic Australian masculinity.

A very sincere form of flattery, but Cadbury took umbrage at their reduced sales and sued the latecomers for passing off.

The Privy Council upheld the trial judge's rejection of Cadbury's action. It recognised that the passing-off action can

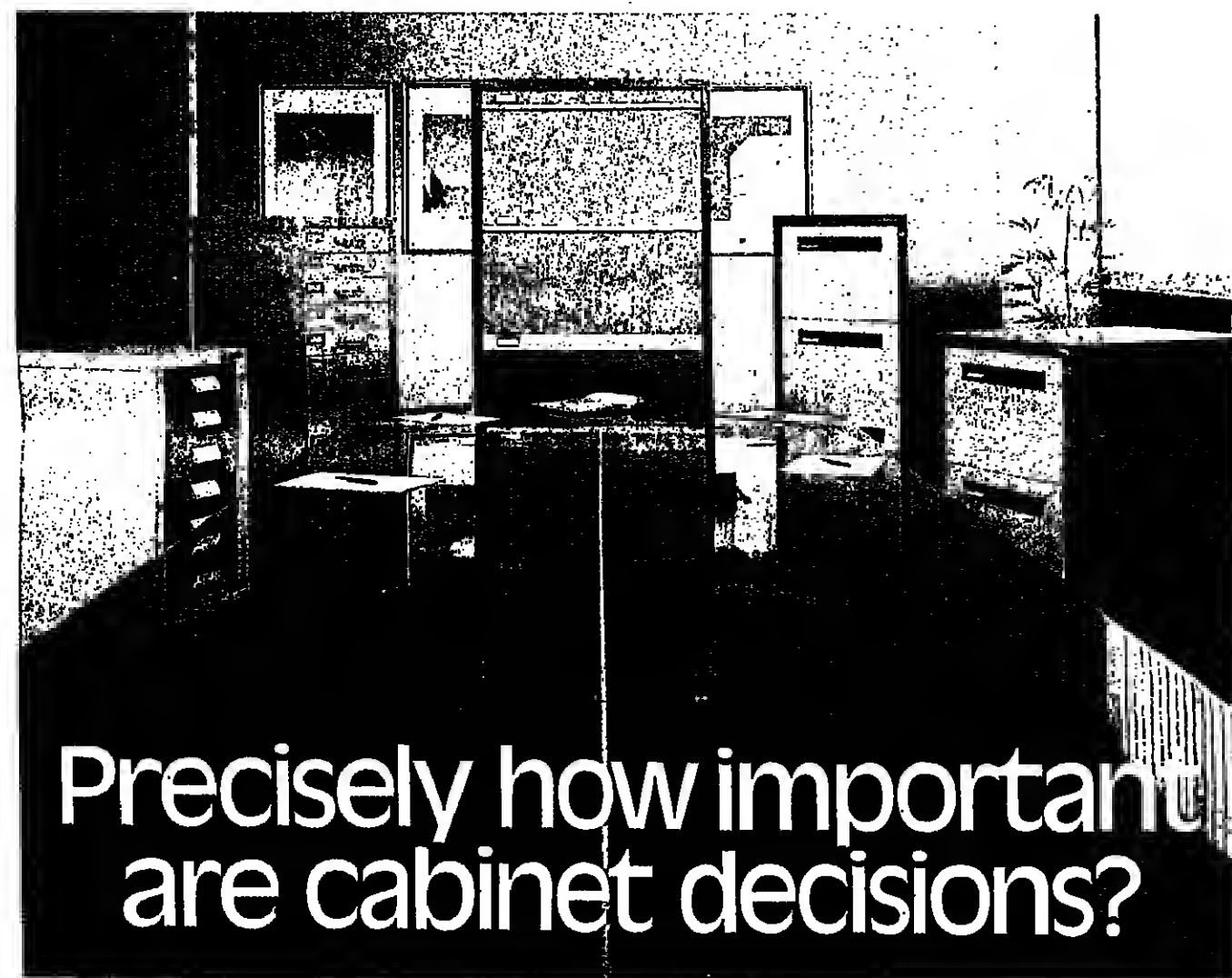
encompass "slogans and visual images, which radio, television or newspaper advertising can lead the market to associate with a plaintiff's product, provided always that such descriptive material has become part of the goodwill of the product."

On the other hand, "competition must remain free". The plaintiff must prove he has built up an "intangible property right" in the advertised descriptions of his product.

A defendant does no wrong

by entering a market created by another and competing with the creator. As Cadbury failed to persuade the courts that the public were confused or misled by the "Pub Squash" get-up, it could not succeed.

The Cadbury case before the Privy Council did not rely on the occasionally recognised tort of unfair competition, where deception of the public is not a necessary ingredient. Similar cases may make that tort respectable.



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## Business

# Analysing annual accounts: Air New Zealand

by Klaus Sorensen

RECENT suggestions to alter or remove the export incentive scheme must have sent a chill through the Air New Zealand board room. Though the initial suggestion referred to forest incentives, there is mounting pressure (mainly from those groups who do not receive them) for the whole export incentive scheme to be looked at. If Air New Zealand lost its export incentives it would be a disaster.

The accounts for the March 31, 1981 year show clearly how important the incentives have been in the last two years in cushioning the company's serious trading losses.

The company has stated that it is facing another, probably worse, loss for the March 31, 1982 financial year — and if export incentives were removed this year Air New Zealand could suffer a loss of debilitating proportions.

For the past two years Air New Zealand's profit and loss has seen expenditure overtake revenue with growing vigour.

It's a nasty trend, but in the past two years extraordinary items such as the Erebus insurance claim and the export tax incentives have gone a long way to softening the blow.

In the latest financial year revenue increased 21 per cent, but a 27 per cent expenditure increase left a trading loss of \$43.6 million, well up on the 1980 trading loss of \$15.4 million.

But taxation credits increased from \$7.5 million to \$12.9 million, which, after various extraordinary items in the past two years, left a 1981 loss of \$30.8 million, compared with \$13.6 million in 1980.

Judging by Air New Zealand chairman Bill Mace's comments in the report, the operating loss this year will be greater. So for the purposes of this exercise, if one assumes a \$60 million trading loss — and no export incentives or extraordinary items to fall back on — a net loss of this amount appearing on the bottom line of the profit and loss account would deliver Air New Zealand a real body blow.

Particularly when the company has a relatively small capital of \$70 million — and shareholders' funds of \$92.9 million.

Some groups have even suggested that Air New Zealand could be heading for a \$100 million loss to the 1982 year. However, it still seems likely export incentives will stay in place and the company's extraordinary income will continue to offset the trading losses.

Mace also predicts that the March 1983 year will see Air New Zealand on the mend — so conversely 1982 looks like being the worst year, though the replacement of the DC 10 fleet with 747s begins this financial year. This means capital profits are likely to result from the sale of these aircraft at above the depreciated book value.

The major cost problem for the airline is fuel.

As a proportion of total costs fuel is now the second largest. The report provides a percentage breakdown of the types of operating costs, though there are no comparative figures given.

They show that salaries and wages were the largest item of expense at 29.5 per cent, with

fuel following hotly at 23.4 per cent.

Next up is sales and publicity at 14.6 per cent, "other costs" (?) at 12.9 per cent, interest charges and depreciation at 6.5 per cent, maintenance materials and airport dues both at 4.6 per cent, and inflight catering services at 3.9 per cent.

But Air New Zealand does not face the escalating fuel cost problem by itself. Mace begins his review by noting "for the majority of the world's commercial airlines 1980/81 will be regarded as one of the worst ever for economic performance."

Despite the loss, he points out that the international services continued to be a major foreign exchange-earner and they earned or saved a net figure of \$126 million.

Though a substantial loss had been predicted, "its impact is of particular concern to the company at a time when it has been implementing a major re-equipment programme with new Boeing 747 aircraft and also progressively modernising its domestic fleet, both of which projects are expected to facilitate a return to profitability in the longer term."

One of the bright spots was a rise of 60 per cent in contract revenue for such things as aircraft maintenance and catering for other airlines.

But "in general the already harsh trading environment was exacerbated by the company's inability to achieve the level of fare recoveries required to cover cost increases sometimes for political reasons as well as those arising from consumer interests."

But the problem with a report of this nature is that it is hard to decide who the audience should be. The sole shareholder is the Government, and by definition therefore, the people of New Zealand.

By law, Air New Zealand has to present a report to Parliament, so this glossy affair is really more of a PR exercise.

But because Air New Zealand is owned by every New Zealander, the report should probably be judged as if it were that of any other listed public company, and therefore should clearly present all the information the ordinary shareholder might want.

While the level of financial disclosure is generally good the political aspects of the report seem to have interfered with its clarity at times.

Consider this cryptic little effort from Mace: "Internationally tariffs and thus revenue remain subject to the control of a number of parties whose interests may reflect concerns other than our own."

But there's more: "The international market is also shared by a number of participants, all of whom have some flexibility in taking advantage of the marketplace to the extent of their facility and initiatives."

No doubt the board members of Air New Zealand are pleased with that little barb, and the victim(s) is(are) smarting from the blow, but the rest of us are left behind.

To the year under review fuel costs increased by 55 per cent and, according to Mace, "while the rate of increase at present has temporarily abated, future upward adjustments appear inevitable." The deterioration of the New Zealand dollar is another contributor to rising costs.

"In the last two years alone

the New Zealand dollar has devalued against the United States dollar to the extent of some 12.9 per cent. When the total impact of rising fuel prices is added, it is assessed that for every 1 per cent the New Zealand dollar declines against the United States dollar the net adverse effect on the company amounts to \$1 million per annum."

The answer is a "recovery programme directed towards such areas of activity as continuing cost reductions, fare and rate increases, modifications in operating patterns and increased concentration on routes with the greatest market potential."

"Little or no improvement can be anticipated in the current year's operations and indeed, indications point to a more adverse result than last year's."

Mace says initiatives being

taken will provide a platform for a concerted effort in the current year which is expected to position the airline towards an improved performance in 1982/83.

The profit and loss account shows total revenue rose 21 per cent, from \$457.7 million to \$557.2 million, including a rise in traffic revenue from \$389.9 million to \$480.3 million.

Expenditure increased 27 per cent, from \$473.2 million to \$600.8 million, with the single largest component being a 46 per cent rise in flying operations costs from \$133.5 million to \$195.2 million — presumably due to the fuel cost increases.

Other items of expenditure included aircraft and traffic servicing, up 32 per cent from \$74.6 million to \$98.4 million, and sales and marketing, up 27 per cent from \$68.5 million to

\$87 million. Passenger services costs were up from \$46.7 million to \$54.2 million, interest charges were almost unchanged at \$12.9 million and exchange losses were up from \$3.9 million to \$4.2 million.

The resulting loss of \$43.6 million was reduced by a surplus on asset disposals and insurance recoveries of \$890,000 and the \$12.9 million tax credits contribution.

Against this was a \$627,000 provision for loss on investments and a \$394,000 loss from subsidiary and associated companies (both unexplained).

In 1980 the \$15.4 million operating loss was bailed out by a \$32.3 million insurance recovery from Erebus, less a \$10.7 million charge for the cost of the grounding DC10 aircraft. In 1980 the company enjoyed tax credits of \$7.5 million.

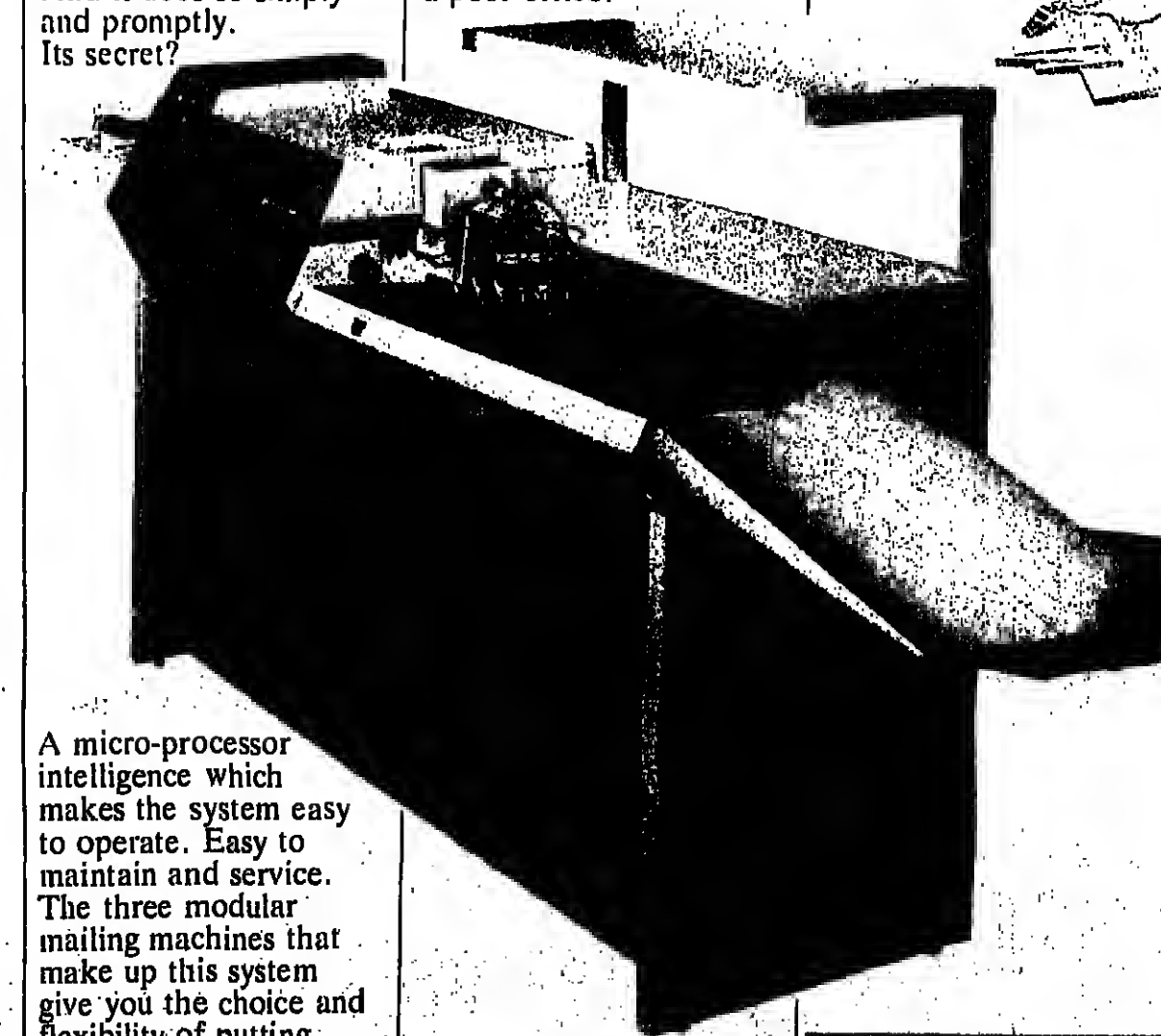
The balance sheet shows shareholders funds down, from \$106.4 million to \$92.9 million, long-term liabilities up, from \$128.2 million to \$151.5 million, and current liabilities up, from \$182.9 million to \$248.2 million. Total fixed and long-term assets rose from \$280.8 million to \$361.8 million and current assets were reduced from \$142.3 million to \$134.5 million.

The notes show that the current portion of loans (repayable by March 31, 1982) amounts to \$27.5 million out of a total of \$151.5 million, while the breakdown of domestic and international profit and loss statements shows the domestic operations suffered a \$10 million operating loss while the international wing lost \$33.4 million.

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# Election '81: it won't be Muldoon without the Prince

by Colin James

THE 1981 election was to have been about growth strategies: a clean fight between National's big foreign-financed projects and Labour's accent on the small and local.

The visionaries behind the National strategy figured they could capture the voters' imagination and therefore their support. Divided, dispirited Labour would have been left to run out second place with Social Credit.

But the electorate has instead been so diverted by peripheral issues and thus so encouraged to be small-minded that calls for big-heartedness are more

likely to meet scepticism than enthusiasm.

If the 1981 election has a theme, it is now likely to be much less one of alternative growth strategies than as a clearing-house of built-up confusions, mistrust and frustrations, conveniently brought together in the Springbok tour.

The barometer has been Social Credit.

Social Credit is a message of vague hope, on escape or a means of bringing home to the old parties the voters' frustration. It is more a weapon than a solution.

After the East Coast Bays by-election, it seemed that weapon was to be used against weak

Labour and its failure to protect an effective alternative to the National Government.

An essentially reactive Labour Party did not appear to offer any grand vision capable of breaking the bonds of small-mindedness.

But gradually, as 1981 has unfolded — and as 1972-75 has receded from three years distant to six and thus weakened the causal link between the failures of the Labour Government of that period and current ills — the target for frustration has become the Government.

Ever since the Tania Harris march six months ago, the signs have been pointing with gradually growing clarity

towards an anti-Government election.

Maybe, because Labour has not yet shaken off the dust of 1972-75, it will also be partly an anti-Labour election — and thus, as one keen observer thinks, an anti-incumbent election.

Anti-incumbent, perhaps; but, if so, the bigger, more easily visible incumbent is the Government.

So a curious paradox is being built into this election: National has offered the most clearly defined and most imaginative lead with its growth strategy (you may disagree with it, but it is better thought through than Labour's or

Social Credit's which are essentially reactive to it); but its leader has for six years given out signals which do not tally with the grandness of its development vision.

This paradox is at the heart of a new book, published today, by *Evening Post* political correspondent Tony Garnier and Victoria University politics lecturer Stephen Levine.

The essence of the book is summed up in its title: *Election '81, An end to Muldoonism?* Garnier and Levine note that in the past six years "Muldoon has started a new chapter of achievement in this country ...

"He may have taken on the new policies at short notice and

basically as an act of intrusion, but his colleagues, at least some of them, have turned them over at length."

"They have set to work in earnest. The analysis may not be wrong. The weaknesses they have tried to cure in the economy are real enough."

"In the longer term it may be right to look at Muldoon's government as the first real attempt at a necessary, but highly difficult, process of turning New Zealand into a more outward-looking, lean, competitive, tougher trading nation, less protectionist (and no longer propped up by the artificial encouragement of Government handouts."

But, the authors ask, "in Muldoon's convey the significance of what he is doing to the voter, or will his tendency to off the deep end with personal attacks distort and divert attention from what should be his main message?"

"No one, probably not even Muldoon himself, can reliably predict what will happen on the campaign trail in the area of personality politics."

"But it may prove to be the vital factor between another Muldoon win and his undoing."

Garnier and Levine note the Energy Minister Bill Birch has made a series of complex and difficult decisions quickly, while in Muldoon's eye-balling no real progress has been made towards a sensible incomes policy, tax reform or other needed fundamental economic reforms.

"As time has gone on at Muldoon has consistently failed to achieve breakthrough on long-term issues like wage policy, it has become apparent to many New Zealanders, including business leaders and his colleagues, that his style makes the forging of compromises between sections of the community more difficult to sustain," they write.

And, in their judgment of that style, Garnier and Levine are themselves uncompromising.

"Every year of the Muldoon Government has found at least one issue — and usually quite a number — which has torn the country apart, divided families and seemed of the time to be of a nature and magnitude setting them quite apart from 'ordinary', 'normal' political conflicts ...

"... the people demonstrating against the continuation of the tour — the nation detail Muldoon's ambivalence on the tour — 'would be less likely to be so angry, so determined, so frustrated, if their reactions were not occurring against the background of six years of Muldoon rule."

"With a Prime Minister whom years of experience portrayed unambiguously as a quiet, thoughtful person, a man open to all arguments, a man eager to listen, learn, deal and conciliate, these demonstrations would not be happening or at least not with the heat, bitterness and rage which they have so often displayed."

"These are demonstrations against Muldoon — his policies, attitudes, personality, his years of power — as much as they are against the 'Africans' presence in New Zealand."

"They are the culmination of Muldoonism: an emphasis on divisiveness, the authoritarianism of principle to justify the inability to unite his country

# of Tamaki in this particular Hamlet

behind compelling national goals.

"Whatever the merits of different positions towards the tour, the civil and emotional strife engendered by it is in its way an appropriate symbol of two successive Muldoon Governments."

"Six years of Muldoonism have brought us to this — New Zealand the way no one could possibly want it."

And again: "He has led the National Party into an internal struggle from which, it appears, ultimately only his defeat, one way or the other, can save the party from further hurtful strife and stress."

"For many New Zealanders, including loyal National followers, 'confrontation' has become a way of abuse."

"Confrontation politics have been taken too far. It is no longer fashionable. It is no longer enjoyable."

"The fun has gone from Muldoonism. Only a dull ache remains. People have had enough of divisiveness."

As Garnier and Levine note, the party has tried to get Muldoon to project "strong positive leadership ... rather than the strong negative image which had developed," using Deputy Prime Minister Duncan MacIntyre as the messenger.

And Muldoon himself seems to have become aware of the need to change.

In between bouts of election threats, attacks on the Commonwealth and the media, Security Intelligence Service lists and phantasmagorical costings of Labour's promises, he has said publicly he wants to be positive and has produced a string of growth strategy speeches to make the point.

If he can concentrate solely on the positive side, Garnier and Levine indicate, "the few weeks of the election campaign may be enough for Muldoon to hold back the oncoming tide."

For the old boxer has something else up his sleeve. Once no one could lay a glove on him, Garnier and Levine write, but, slower now, he occasionally gets caught.

But "he knows that there's only one thing the public will fall for more than a young, up-and-coming hopeful. And that's the chance to cry themselves silly over some old-timer having his last crack at the title."

Muldoon totally dominates the book. Everything and everyone else is seen only in his shadow.

Obsession? Yes. But no more than the electorate has been obsessed with him.

For seven years politics has been a matter of for or against him, his latest off-the-cuff comment, procrastination or lightning decision.

The 1981 election, as were those of 1975 and 1978, will be about him.

And the reader will, as the quotes above indicate, get a most unfavourable picture of him. It is hard to imagine a rational person whose only information about Muldoon came from *Election '81* being able to vote for him.

But there is not a similarly unfavourable view of the National Party. Far from it. From the book a rational person might accumulate enough reasons to vote for the National Party.

Partly this comes in the references to the beginnings of a facing up to reality and of letting a breath of fresh air into the place.

It has been, for instance, the National Government which has taken a bold step towards a radically different economy in going well down the track towards a closer economic relationship with Australia — a manoeuvre which could, the authors say, make Muldoon "one of New Zealand's great achieving leaders."

But stronger evidence lies in the intelligent, informative and by-and-large sympathetic appraisal of National's second-order ministers:

● Birch, who has "done a better job than any other" in the Cabinet and who, if his think-big projects work (which the authors have their doubts about), "will have made a fundamental contribution to the country's development, matching the foundation stones put in place by such historical figures as Vogel in the 1860s, Seddon in the 1890s and Savage in the mid-1930s."

● Derek Quigley, with "impeccable qualifications to lead National," a "forthright and direct Minister," with "a touch of dogged madness."

● Jim McLay, for whom "the conscious pursuit of power is at the heart of (his) operational code and visible in everything he has done" and who "has tried to remain (so far he has succeeded) essentially his own man" — a judgment now appearing increasingly dubious.

Once the book moves away from National, however, the quality of the information drops.

They are not merely penetrating in their assessment of Labour leader, Bill Rowling, and his sidekicks, many of whom are passed over in a paragraph or two.

Perhaps there is justification in their treatment of Rowling. He comes through the book as a shadowy, colourless figure, a "counterpoint to Muldoon": "Labour's Vietnam — the party has gone too far with him to get out now ... rarely has so much trust and confidence been given by so many with so few positive results."

Even if he has got more impatient and tougher with his colleagues, he is still "poor Bill", the small-town guy. The reader coming fresh to New Zealand politics would conclude that the only way he would win would be if the electorate voted against Muldoon.

But the emerging Labour second rank deserve better — not more sympathetic, but more analytical — treatment than the book gives them.

People like David Lange, Ann Hercus ("described by some ... as 'the most dangerous person in the House'"), Geoffrey Palmer, David Caygill, Russell Marshall and Roger Douglas deserve more than a few lines if the book is truly to inform voters.

Social Credit gets even more cursory treatment. Apart from leader Bruce Beetham, few Social Crediters get any coverage at all. Sure Social Credit is Beetham's party, but there are some emerging new faces worth examination.

And the presentation of its financial reform policy ("at the bottom of all that Social Credit seeks to do") is as insubstantial as the authors claim the rest of its policy to be ("vague terms, selected for their positive connotations rather than for the meaning they contain").

And would Social Credit MPs really not be bound by

policy? A more accurate assessment would conclude that Beetham's dominating tendencies would make sure they stayed in line.

The authors are on stronger ground when posing the issues and problems for the 1980s.

They argue the need for a breakout from the old economic confines and underlying wages and taxation policies to facilitate it; for reform of political institutions and the decision-making process to restore public trust ("something has gone wrong with New Zealand politics or perhaps the whole New Zealand system of government. Most New Zealanders seem to feel betrayed by the political setup" for a response to the challenge of multiculturalism).

In these pages the voter will find much to weigh in deciding how to vote and to take the

mind off the mundane issues of inflation and unemployment.

But the voter will find less help in finding whether any party has answers that seem workable. Perhaps it is fair to comment to dismiss by implication the party policies as incomplete or ineffective, but readers might want a more exhaustive assessment of at least the parties' varying approaches.

This is the more pertinent in the light of the authors' urging that in this "exciting" election, "politicians of all parties have been thrown back to first principles and so have the voters."

There are also a number of minor errors — Muldoon's age is incorrectly given as 61, for example (he is 60 this Friday).

There is, however, much in this book that is intelligent, perceptive, interesting and novel. Some fascinating

paradoxes are unveiled (Labour wearing National's old thinking small clothes, for example).

It even sensibly refrains from predictions, beyond implying defeat for National in an assertion that no surprise would be so remarkable as a swing towards the government party.

Garnier and Levine do, however, make two confident predictions.

One is that "New Zealand will not be the same country. At the very least, a page in our short history will have been turned. Possibly an era in our politics will have closed and another begun."

It is a prediction that might form a companion piece to their assertion that over the past few years "a way of life has been unquestionably disturbed and destroyed."

Their second prediction is more debatable. It is that "the

sure result from the election is that certain names and faces will be with us for three years."

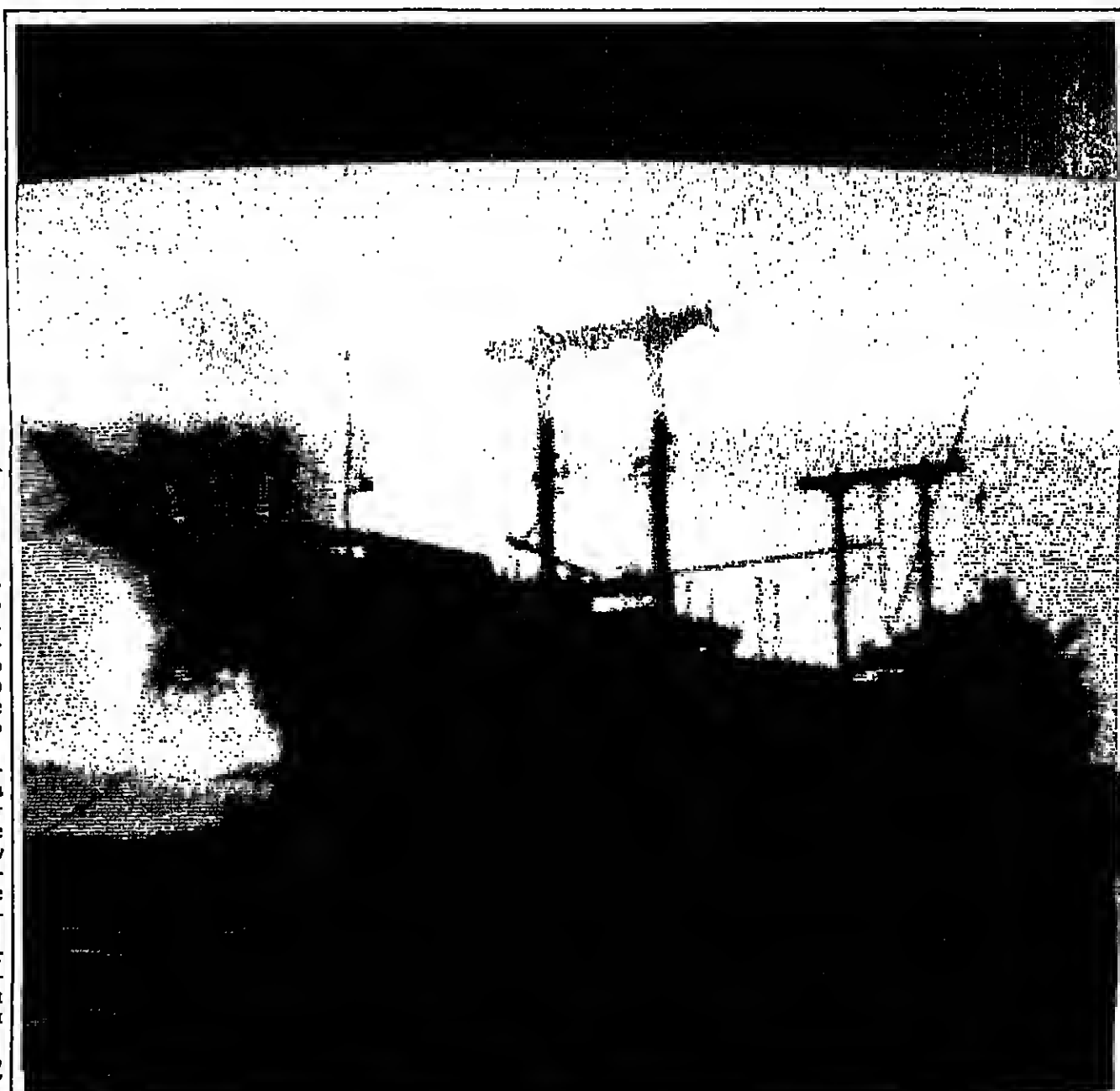
The potential lie to that comes just 18 pages earlier when they contemplate no majority emerging — which would most likely mean the new Parliament and its faces would not survive three years.

"Election '81: An end to Muldoonism?" by Tony Garnier and Stephen Levine, Methuen, \$9.95.



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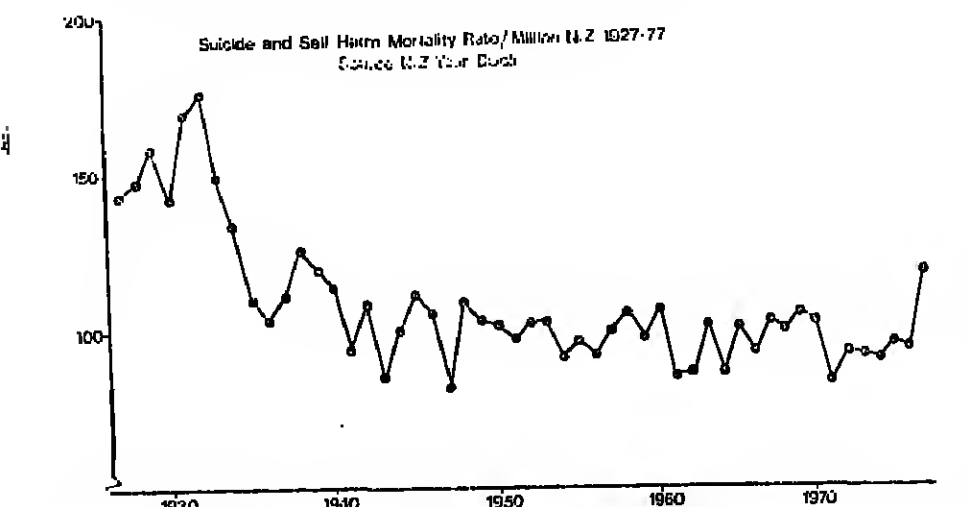
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## Health

## Studies and statistics show increased unemployment

by Ann Taylor



Suicides show a significant rise in the 1930s and the suggestion of an increase in 1977, the last year for which data was available.

THE health of the nation, particularly as it is affected by unemployment, is beginning to blossom as an area of study.

During Wellington's silly season for conferences — the August school holidays — the Mental Health Foundation and the Psychological Society teamed up to confer for two days on unemployment.

Three papers were presented at one session which discussed the health consequences of unemployment.

A group from the community health department at Wellington Hospital related variations in unemployment figures

over the last 50 years to health statistics.

The conclusion that "it is likely that the health consequences of the recent rise in unemployment will become increasingly apparent as national health data since 1976 becomes available" is based on past experience here and current studies overseas.

Plunging back into the 19th century and the birth phases of sociology, Emile Durkheim demonstrated a correlation between fluctuations in the economy and the suicide rate, which rose in times of economic depression and in periods of rapid economic expansion.

The relationship between life expectancy, mortality and poverty has been well demonstrated since then. The mechanism of the relationship is not clear but the most commonly accepted hypotheses are:

- Poor levels of nutrition and environmental factors which low socio-economic groups are exposed to;
- High levels of social and psychological stress in low socio-economic groups which make them more vulnerable to stress illnesses and their consequences; and
- Poor access to and utilization of health services.

In developing countries a consistent improvement in mortality levels appears to follow improvement in economic status; a relationship explored by American medical expert Harvey Brenner.

Brenner views unemployment as a multi-dimensional measure of stress; the endpoint of a series of stressful situations progressing from overtime loss, reduction in new recruitment, early retirement, redundancies of fellow workers and finally job loss itself.

Brenner argued that because health appears to be related to individual and economic status, unemployment, since it invariably leads to a reduction in economic status, might lead to an increased health risk or morbidity which could become apparent in statistics.

In 1977 Brenner tried to estimate the social and economic cost of unemployment and demonstrated that a 1 per cent rise in unemployment leads to a 2 per cent rise in total mortality, a 4 per cent rise in suicide, a 6 per cent rise in homicide, a 3 per cent rise in first admissions to mental hospitals and a 4 per cent rise in admissions to state prisons.

Brenner's work showed that the relationship between unemployment and per capita income was consistent and statistically significant for every age, sex and ethnic group.

Although he stressed a cause and effect relationship between economic recession and health indicators cannot be proved it might be possible to predict future changes in health status and relate those costs to economic planning.

Mortality through suicide or ill-health in America, England and Wales has shown a consistent and strong association with unemployment.

The New Zealand experience is reflected in the fact that infant mortality has fallen in every successive five-year Census period except for the period following the severe depressive of the early 1930s.

Homicide rates per million over five-year periods, show similar movements to those in the graph with a significant rise in the 1930s, a rise during the war years, and a more significant rise over the last five-year period.

Post neonatal infant mortality (between one month and one year) is considered a sensitive indicator of the social and economic status of a country because it indicates the level of infant care received after leaving hospital.

It also involves access to utilization of health services in the community and environmental factors such as nutrition, housing and exposure to infection.

Again there is the hump in the 1930s, but the decline after the war appears to have been

## Health

## as a health risk

and even reversed in the past five years.

The Wellington Hospital paper concludes that the local findings are not dramatic, but do appear to be consistent with the Brenner findings and "should raise concern that the effects of unemployment go well beyond monetary considerations and extend beyond the immediate bounds of the unemployed to their families and their social environment."

A 1980 survey of school-leavers from Birkdale College "in part of a fairly average community" was presented by two Auckland psychologists. From the 300, 15 employed and 15 unemployed school-leavers were interviewed to make comparisons in three areas: mental and psychological well-being, attitudes to unemployment and lifestyle.

A general health questionnaire, a test which taps symptoms of depression, anxiety, hypochondria and social inadequacy, was administered. Scores from the test showed that the unemployed were more at risk.

The findings were in line with a British survey of 1500 poorly educated teenagers which concluded "the causal impact of unemployment status on scores is firmly established... in terms of relative risk the unemployed group are clearly much more vulnerable than those who have a job."

The local sample showed that the unemployed were more generally representative; more girls than boys were unemployed; they tended to have spent less time at school and there was some indication that their fathers worked in lower-status jobs — although none of the parents was unemployed.

Subjective reactions to the question "how does it feel to be unemployed?" elicited a general tenor of "strange, degraded, it can get you down". The worst thing about unemployment was not lack of money, but boredom. Paradoxically, the best aspect was having free time.

While the unemployed did not blame their parents for their joblessness, the majority of the employed had their parents to thank, in some part, for procuring them jobs.

Lack of experience or qualifications emerged as the main reason given by the unemployed for their situation but their job aspirations were realistically in line with their qualifications.

The study found that the unemployed and the employed are largely isolated from each other. The former occupy themselves more than their employed counterparts by watching television, working around the home, lying in bed, going out with friends and listening to the radio and records — activities which could be described as socially withdrawn.

"The general tenor of our findings is that unemployment does not markedly affect social attitudes, a finding which in the past and now has frustrated those who hope the unemployed might provide the basis for revolutionary political movements," the study said.

The study concludes: "If unemployment is here to stay we need to know if there are any circumstances in which unemployment is not damaging, or may even be beneficial. If unemployment is here to stay

and the Protestant work ethic is here to stay, then the outlook is not good."

Beryl Hesketh, a Massey University psychologist, presented a paper which — while the statistics had not been completed — argues that isolated young unemployed people tend to be less able to cope with their situation.

She makes a plea for the unemployment "figure" to be more accurately assessed.

Inaccurate figures do not help the unemployed, because "they are not able to obtain a realistic estimate of how many others are in a position similar to themselves."

She argues that it is important to facilitate success experiences for individuals who have a history of failures by creating opportunities which allow them in work successfully at something, albeit part-time.

"Repeated exposure to failure in job-seeking enhances a feeling of inability to do anything... it will be necessary to increase the selectivity of their applying for jobs and to make better use of skilled placements. There are implications in this for school and community-based programmes."

Hesketh talks about the notion of learned helplessness, or inability to learn to escape the shock and describes the concept in terms of an unemployed person who is punished by society "in many subtle and not so subtle ways, but not without."

"Society is poised at a crucial cross road requiring a decision between treating unemployment as a temporary phenomenon or assuming that employment, in its traditional sense, will no longer be available to large numbers of people. Which outcome is seen as more likely is currently dependent more upon the value system of individuals than factual data."

"This underlies the difficulty in establishing a committed plan of action. One might argue that it is safer under these circumstances to plan for an increase in unemployment, so that alternatives are explored," she concludes.



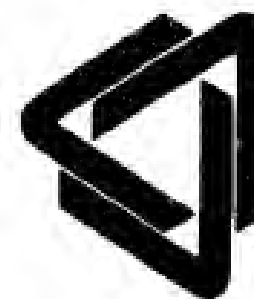
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## Marketing

## Our daily bread: using their loaf to win back sales

BACK in the days when only buttered and we still had to discover whether margarine was pronounced with a hard or a soft "g" — the days we'll call the forties — each of us used to dispose of about 226 grams of bread every day.

Except that they weren't grams in those days and, instead, we would have been eating about half a pound. Forty years later our daily consumption was down to 150 grams or 5.3 ounces a day.

What happened to bread consumption? And what has the baking industry done to recover its lost business?

The story begins in the murky history of Government regulation. It is no part of this article to survey this aspect of the past but it is fair to say that the New Zealand Wheat Board, whose job it was to control the distribution of both imported

and locally produced wheat as well as arrange for the processing of wheat by flourmillers and the sale of the resulting flour, had no easy task.

There have been enormous variations in the land areas that farmers have been prepared to devote to wheat — largely determined by offered prices — from 27000 hectares in 1956 to 127000 in 1967 to 58000 in 1974 and 87000 in 1978.

The types and qualities of wheat varied from time to time, with scant attention paid to the desired flour specifications for bread and for biscuit-baking.

Bakers had little say in the choice of their sources of supply. One baking company which owned a flour mill was not permitted to use its own product.

Bakers have been historically small, family, neighbourhood businesses and it is only in re-

cent years that companies have got together in mergers or in business groupings — a process which has enabled the industry to view its problems from a collective point of view and to set about regaining its lost position.

When some of the worst aspects of control had been lifted, the baking industry was free to review the reasons for the heavy erosion of sales which had taken place and, incidentally, had been experienced in other bread consuming countries.

With regulation there had been little incentive to promote bread sales and price control also dampened down any spark of sales enthusiasm.

But a surprising number of countervailing influences had been at work.

Bakers found they had been in competition not only with

other foodstuffs, new and old, but with a whole tide of social change which brought about new living styles.

Over the generations, machines had replaced muscle. The amount of sheer physical work had diminished. The energy needs which bread traditionally filled so successfully had lessened.

Perhaps the same could be said for other physical activity, as cars and public transport replaced walking.

A greater range of foods had become available, many of them processed from cereals, many of them described as "convenience foods" though bakers will be quick to tell you that bread was the original convenience food.

In any case, there was much more aggressive marketing of all kinds of foodstuffs. Bread, without assistance from

marketing forces, was likely to be thrust into the background.

Once bakers delivered door-to-door. That service provided a strong impulse to purchase.

There were other factors that helped to depress the sale of bread. Eating out became an acceptable family happening. Various kinds of ethnic foods made their appearance.

But two other reasons became vitally important.

One was the widespread adoption of refrigerators and home freezers. Both appliances enabled a much wider variety of foodstuffs to be stocked and in much greater supply while the freezer virtually eliminated bread waste through staling.

The other reason was the growing awareness of the dangers of bodily overweight. Coupled with that was the widely held belief that bread was one of the fattening foods. By the late 1970s the structure of the baking industry had changed considerably with the agglomeration of interests.

The iron grip of regulations had eased, resulting in an increase in the availability of better bread-baking flour. It became possible as well as imperative to take some remedial action to prevent a further drop in bread sales.

And while positive studies of the position were being taken, the consumption of bread sank to its lowest point. In 1978 it was a mere 150 grams a head per day.

The membership of the New Zealand Association of Bakers stretches from Kaitiaki to Invercargill. Collectively it represents a formidable selling force.

A decision had to be made. Was the prumtion of bread to be handled from the control point of the association or by the individual bakers, each in his own area?

"It was a question of roles," association director Russell Hickin told *NBR*, "and after much deliberation and taking professional advice, we decided our task here was to supply information as a community service."

"We would endeavour to see that information was disseminated in the best possible way to do the most good. The actual selling of bread was beat left to the bakers who were equipped to do it."

The information campaign began in 1979 but the first target was not the public, but bread retailers. Retailers had begun to think of bread as a nuisance item, unwelcome and barely profitable.

The association ran an 8-page colour supplement in the *NZ Grocer's Review* entitled "Give us our daily bread." It showed that retail turnover of bread was valued at \$103 million and that rapid turnover boosted profits. It was informative

about bread buying trends, bread quality, displays, food value and cost.

Hickin believes the piece did a great deal to correct misconceptions and restore retailer goodwill towards the handling of bread.

There followed an attack on the fallacy of bread as a fattening food. A couponed ad in the *Lifeline* sought response for a leaflet entitled "Slim with a Slice" which provided dieting information and a diet plan. It was timely as the theories on the need for fibre content in the diet were being widely voiced.

The following year, the association sponsored a visit to New Zealand by Mrs the Venn-Brown, chief nutritionist of the Australian Bread Research Institute. In the process she addressed nutritionists, dietitians and food technologists, providing the answers and the information.

This year, an eight-page insert was run in *Women's Weekly*. Again, the theme was information, not hard sell. But because it had been suggested to bakers that they follow up on what the association had been doing, Quality Bakers, a group of independently owned bakers, produced a subsequent 16-page insert in the same magazine, this time selling at the way.

Making economic use of much of the *Women's Weekly* material a school kit was produced for distribution at intermediate level (*Admarch*, August 3, 1981).

"When you are looking at consumer education, the object is to pick the strategic things to do. These children, today's heavy users and tomorrow's housekeepers, will emerge with the right information, not the fallacies about bread," said Ilevnn Burgess of Network Communications, the association's advisers.

The 1980 figure of bread consumption is up to 56.6kg a head annually over the 1978 figure of 54.7kg.

Hickin is reluctant to credit the information campaign with this improvement. "It may only be a reflection of economic conditions," he said.

"In real terms bread is still a cheap food. Only 13-14 cents a day supplies 16 per cent of carbohydrate needs and 20 per cent of protein needs."

"It is too soon to start reading results. But the benefit is there in the improved image of the product."

You can call it a public relations or a re-positioning exercise, a marketing operation, or an integrated industry promotion but the bakers' plan as it is being implemented, demonstrates that an effective sales parade does not have to be led by elephants and a circus band.

— Grev Wiggs

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NEW PLYMOUTH

## Marketing

## Cut-price Zap angers South Island competitor

by Warren Berryman

A FLAVOURED milk marketing war has been sparked by Canterbury Dairy Farmers Ltd.

The company launched the

Australian best-selling Big M flavoured milks in Christchurch with 250 ml packs selling at 30 cents and 500ml packs at 45 cents.

Next day the Dairy Board launched its Zap in the South

Island selling at the same price as Big M — a 40 per cent discount on its North Island prices.

The Dairy Board's Zap is packaged near Auckland.

Canterbury Dairy Farmers elaim freight to the South Island would cost the Dairy Board 7 cents a carton, so the price for Zap should be the Auckland price of 40 cents for 250ml and 60 cents for 500ml, plus 7 cents a carton.

Otherwise, Canterbury Dairy Farmers claims, the Dairy Board is using unfair competition to drive it out of the market, which threatens South Island jobs.

A Dairy Board spokesman agreed the Zap price was less than charged in Auckland, but he pointed out that this was an introductory price and a common marketing strategy for a new product.

Competition from the Canterbury company was one of the factors which determined the price, he said.

When Zap was introduced into the Auckland market, the board had used a similar lower introductory price. The cost of other beverages (soft drinks) had been relevant.

The spokesman emphasised that the present Christchurch price for Zap might not be permanent. Nor was the product subsidised, he said.

In future, the board would be looking at a national pricing structure which might mean that Zap's price was not uniform nationwide.

He was not prepared to comment on what that price might be.

Canterbury Dairy Farmers' flavoured milk is packaged in gable-topped Tetra cartons.

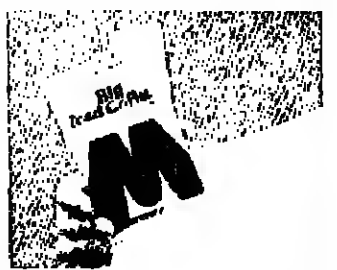
The Dairy Board's Zap is packaged in foil-lined UHT treated long-life cartons.

The gable-topped cartons for fresh flavoured milk are cheaper than the Tetra Pack UHT cartons. Another advantage: they are biodegradable.

A Canterbury Dairy Farmers' spokesman said the company felt left out of the lobbying stakes. Being a small South Island company it could not gain Government's ear the same as the powerful Dairy Board from its Wellington base.

But Canterbury Dairy Farmers was determined to carry on doing its own thing, the spokesman said.

This is likely to be the opening shot in a major battle between the producer board and private companies for the drink and dessert markets this summer.



## The adze column

by Grev Wiggs

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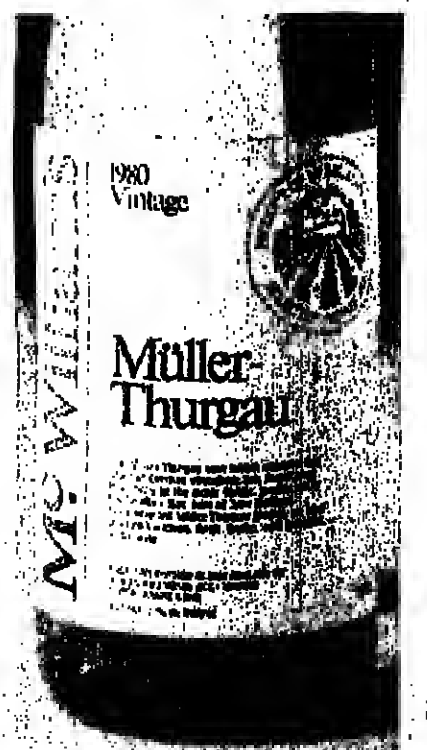
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# IDC's car industry probe sure to throw up microcosm

"I DON'T think you can identify any one issue that stands out; there are just so many issues at stake. And the more you get into the industry, the more complex it becomes."

That reaction from a senior car industry executive illustrates the difficulties that will surround the IDC probe into the troubled motor vehicle industry.

Probably all of the major economic and political issues of today have some bearing on the industry: employment, investment, exports, import substitution, technology, distribution, shipping, closer economic relations with Australia, international trading obligations, energy use and so on.

The reason is straightforward: the industry plays a dominating role in the national economy, as it does in other countries and in global politics and economics.

A simple calculation shows that \$1 of every \$5 spent in New Zealand each year can be directly or indirectly related to the industry.

When an industry is so dominant in any economy, moves to investigate its structure and development involve a far wider percentage of the business community than the immediate participants, in this case the car-assemblers, importers and parts manufacturers.

On a personal level, New Zealanders generally could be affected by alterations to the way the industry operates. With one of the largest car ratios per head of population in the world, we all have an interest in the outcome of the IDC deliberations.

Before the IDC released its guidelines, a major political hurdle had already been overcome — the retention of the assembly industry and its supplying component manufacturers.

The future of the assembly industry, which makes vehicles from imported CKD packs and incorporates some locally-made components, was questioned by a team of Government officials last year.

Among the team's options: the dismantling of the "inefficient" industry over the next decade in favour of CBU imports.

But the final terms of reference from the Government to the IDC called for an examination that assumed the continued existence of the assemblers and component-makers.

These two industries employ thousands of workers and assets worth hundreds of millions of dollars.

But the issue of CKD vs CBU is not dead and will be among the matters examined during the coming study.

Indeed, the IDC regards the relative proportions of CKD and CBU units in New Zealand as a central issue in its study. One source believes the IDC regards it as the central argument of the study.

For this reason, the assumption agreed by the IDC with the major elements of the industry — assemblers and component-makers — that average new car registrations each year will be 90,000 over the next decade is critical.

In trying to determine a development plan for the industry, the IDC has had to make some common assumptions about the future shape not only of the industry, but also

Car industry companies last week took delivery of the long-awaited Industries Development Commission guidelines for the Government-ordered investigation into the industry.

NBR has already backgrounded the political lead-up to the study (September 7).

In this article, Allan Parker examines the likely issues the IDC will probe during its lengthy examination.

embracing other national factors.

Thus, its assumption about future registrations will have an important bearing on the available market for assemblers and component manufacturers alike.

For example, if new CBU units are set at 10,000 a year, the remaining assembled CKD unit market will be important for the local industry.

If the total market is assumed to be 90,000, this leaves a CKD market of 80,000 units a year for the assemblers and components manufacturers.

But if CBU units take up 10,000 of an 80,000 units-a-year total market, the local industry suffers a market availability drop of 12.5 per cent — a significant loss in any industry's terms.

Illustrating this effect more clearly is the Australian experience. In the 1960s, Australia decided that new registrations would reach 600,000 in a given period. In the event, they reached only some 450,000 — 25 per cent lower than officially forecast.

So the assumption of a 90,000-a-year new car market in New Zealand is important in the deliberations of the IDC. Lower or higher assumptions could influence IDC recommendations and industry investment trends that would have little relevance to future reality.

Other common assumptions made by the commission for the purposes of the inquiry are also important.

For example, the likely size of New Zealand's population by 1991 and the total car fleet by then will have an important influence on decisions the commission makes now.

Projections on future population trends and the new car registrations of 90,000 units a year have given the IDC an assumed total car fleet of 1.7 million in 1991 for a population of 3.39 million. In turn, this gives a person-per-car ratio of 2.00, compared with 2.39 in 1980.

But if projected persons-per-car had been assumed at, say, 1.5, the density would become extremely high and the IDC would have to examine more carefully the implications on the national economy. Or, more simply, could the economy stand that sort of ratio and should the IDC recommend stricter measures to discourage the trend?

Similarly, projected energy usage by New Zealand's vehicle fleet in 1991 is an important element in the IDC study.

Assumptions on the use of petrol compared with gas-derived energy such as LPG and CNG have been set by the IDC at 85 per cent petrol for passenger car fuel with the 15 per cent balance expected to be sourced from these two gas derivatives.

Diesel demand, according to the IDC reckoning, will largely be met from imported sources, although methanol could replace diesel in some fleet operations.

Thus, the continued high use of petrol — and its potential impact on the balance of payments — will influence IDC

thinking about the composition of the car fleet.

With such a dependence, should the average age of the car fleet be lowered by encouraging higher purchases of more economical vehicles?

In turn, how should such encouragement be given? Through reduced sales tax and duty for fuel-efficient vehicles?

But duty and sales tax on cars have long been a substantial revenue-casser for the Government. Would recommendations involving a lowering of sales tax for smaller vehicles to encourage energy-saving mean

added sales tax on other products to recoup the losses?

And what rights does the consumer have? An important — but often forgotten in some quarters — obligation of the IDC is the safeguarding of consumer interests.

What weight should the commission place on these interests when it reports to Government?

Another area likely to come under scrutiny is the company car.

A very high proportion of new car registrations each year is business purchases.

New Zealand, according to one source, is far ahead of the rest of the world in business registrations.

Therefore, any decision to tax the beneficiary of a company car could substantially alter the market.

Because of the complexity of the industry and the implica-

tions throughout the economy, the IDC is approaching the study from a fresh angle. Commonly where an industry has diverse segments with different interests — such as textiles and plastics — it has prepared an overview report and separate reports on each sector.

But the intricate, interwoven nature of the motor vehicle industry and its high national profile has encouraged the commission to prepare just one overview report.

While different sectors of the industry — assemblers, importers, component manufacturers, wholesalers/distributors, dealers — will have opposing views about the industry's development over the next decade, their interests will be incorporated in the one final report which, according to the IDC, will try to reflect those interests in relation to each other.

Reinforcing this approach are the terms of reference provided by Government.

According to the commission, "these considerations require it to pay particular attention to the national interest."

Indeed, the IDC has been "anxious to emphasise" this aspect to the 114 parties who have registered an interest in presenting submissions at the IDC hearings.

"If (the IDC) must have regard to such matters as the industry's relative efficiency of resource use and not confine itself to requests or comments lodged with it by the industry itself," the commission noted in its guidelines document.

The scope of the inquiry can be gauged from the guidelines themselves, which the IDC has produced to indicate its areas of interest in the study.

They include requests for information about individual

# of all NZ's major economic, political dilemmas

companies with such data as product range, production value and volume, international and domestic purchases, distribution and sales mark-ups, exports and price mark-ups from factory to final retail.

Significantly, the commission also asks individual companies whether they operate a system of national pricing. This will have particular relevance to the considerations of a closer economic relationship with Australia.

Each company is asked about its attitude to future inclusion of its products in CBR, whether Australia is a major source of import competition, if duty-free access to Australia would provide export opportunities and what scope for rationalisation of product mix might be possible with Australian manufacturers.

The Australian Industries Assistance Commission has

just released its proposals for the post-1984 development of the industry there.

Its recommendations call for decreased protection after this period and the proposals are currently under industry and government study.

The final shape of the Australian development plan will, therefore, have a crucial bearing on the New Zealand commission's proposals, particularly in the context of CER with its implied freer trade.

Companies involved directly in the industry are also asked to report on their international competitiveness, government controls, New Zealand's international trade policy, employment and how it expects itself to develop over the next decade.

In addition, each party to the hearing has been asked to prepare a submission detailing



The industry... what development road to take?

the direction of the industry's development until 1991.

In particular, comment is sought on the demand for the

industry's product, desirable changes in the industry's structure like plant/product rationalisation and scale of opera-

tions, desirable changes in the range of models, and the desirable direction of development such as rationalisation with Australia or other producers.

Other issues to come under IDC scrutiny are developments

in the international motor vehicle industry and what action New Zealand would need to take to adapt or compete with new technological developments.

The system of ministerial determination procedures for CKD packs and advantages or otherwise of the mandatory deletions system in which specific components are left out of imported CKD packs for local manufacturers to produce are also to come under examination.

Finally, the parties are asked to recommend what assistance for achieving further development might be needed, including possible changes to the protective environment.

Because the scope of the IDC inquiry and the issues it will investigate are so complex, and their impact on the industry itself and the national economy so broad, companies and industry sectors preparing their submissions will need to be extremely thoughtful about their view of their industry's future.

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## Cook Islands fear loss of tourists with flight cuts

by Ann Taylor

SERVICING the Cook Islands has cost Air New Zealand between \$4 million and \$5 million a year since 1977 but the island's tourist authority is concerned that new schedules will make tour wholesalers bypass the islands.

Air New Zealand currently operates two 737 services, one via Nandi, the other via Tonga, terminating at Rarotonga. The two DC10 transiting services which go to Los Angeles via Rarotonga will be replaced with one DC10 flight terminating in Rarotonga on October 24.

Along with its general policy of shedding the DC10s, and, for other routes, replacing them with 747s, the airline will take the DC10 off the Rarotonga route some time next year.

Cook Islands Tourist Authority manager Temu Okotai is not enthusiastic about the change. He argues that a 737 flight via Fiji takes seven hours to get to Rarotonga and the "nice little aircraft" on a flight that long is not the most attractive way to start a holiday.

He does not dispute the wisdom of trying to diversify the Cooks tourist sources but says that successes and failures in the past have been dependent on airline schedules and routing.

He gives the example of a marketing effort in the United States, useless without assured flight schedules and routing.

Between 1979 and 1980 the number of American tourists increased from 1897 to 2680 — 41 per cent. During the first six months of this year a decline of over 20 per cent was recorded and Okotai says that because of the new schedules the Cooks are being by-passed by some tour wholesalers.

The Cooks' Tourist Authority

contacted 10 wholesalers. Five have planned or are planning to exclude the Cooks from their programmes.

Okotai argues that the new connections are now reduced to one a week so the period of stay in Rarotonga is too long for some wholesalers selling multi-destination packages.

His picture of the future is a continuing dependence on the New Zealand market and asks "why can't we get closer to these trans-Tasman fares or what about some promotional or incentive fares?"

Air New Zealand's reaction to that question is that the traffic does not warrant wide-bodied aircraft, that considerable money has been spent servicing the islands and that the islanders' reaction to the new schedules is a bit like "giving a child a toffee apple and then taking it away."

The airline is involved in a three year, joint-promotion programme with the Tourist Hotel Corporation and the Cooks' Tourist Authority. Air New Zealand says it is keen to promote the Cooks, is spending thousands on the campaign — and the loadings for August were good.

Air New Zealand sources argue that most of the island routes are served by 737s in the Air Pacific and Air New Zealand fleets and even somewhere with a high throughput of tourist traffic such as Fiji is increasingly being serviced by 737s.

Air New Zealand and the THC are both trying to sell their shares in the Rarotongan hotel and the Australian Ansett Airlines have, among others, expressed interest. Ansett has also expressed interest in servicing the Cooks and although Air New Zealand has, apparently, no objections, the decision is a government-to-government one — and has not been made.

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# Cornering the provincial house market, 'exclusively'

by Kate Conos

THE potential housebuyer cruising Hastings, Napier and Havelock North looking at properties is likely to get the impression that there is only one real estate agency in town: Mosley.

It seems that every street has at least one large cream-and-maroon Mosley "for sale" sign with the word "exclusive" slapped diagonally across it. Community notice boards at supermarkets display colour photos of properties available

only from Mosley.

In newspapers, the eye is drawn away from overcrowded small-print advertisements by white space surrounding a large Mosley display ad featuring exclusive listings.

Thirteen cars patrol the area,

Mosley switched to emphasis on exclusive listings with a "controlled clientele" of 60 to 100 properties.

Sellers who sign an exclusive agency contract are given a 12-point guarantee in writing and can cancel the contract if they feel the guarantees are not being fulfilled.

Exclusives are advertised weekly. Sellers receive weekly reports without having to ask for them. "If they have to ring us, we've slipped," says Mosley.

The effectiveness of the exclusive method is attested by the fact that at the recent national real estate convention a remit was put forward to limit sole agency terms — and was defeated.

Because everything hinges on price, Mosley arrives at a price range by science rather than art.

A competitive matrix analysis (CMA) is drawn up for each exclusive property. The CMA consists of three lists: the first shows five similar properties for sale during the past 60 days, giving location, list price, type of property, construction, number of bedrooms, and age.

The second list does the same with similar properties sold during the past 60 days, with sales price. The third list is of similar properties still unsold during a six-month period.

"We then calculate that a property should sell for something between X and Y dollars. X being a prompt, almost forced sale; Y being top of the market," says Mosley.

"It can be that after two weeks the price must be lowered slightly. On one occasion we sold immediately after raising it by \$5,000. It's a delicate area. We walk a tightrope."

The horticultural boom in Hawkes Bay drew Mosley's attention to the potential of the rich Heretaunga Plains; so they created a two-man rural division. An experienced rural real estate licensed agent works together with a former Waikato field and harvesting supervisor preparing detailed budgets in addition to market analyses of each property.

When Mosley launched the new programme in mid-1980, the first effect was that they lost staff. One by one, six out of eight salespeople quit, which Henderson attributes to their not liking the additional work, research, analyses, switch from buyer to seller, from selling to marketing.

The current staff seem highly motivated and speak enthusiastically of the "professional approach". They participate fully in the Tuesday sales training sessions and the point system through which they earn the Mosley blazers, and appear to appreciate the open-and-above-board atmosphere in which no one need fear that a colleague will steal a client.

New employees start on a "living wage, which they set themselves," says Henderson, then switch to commission when they're ready.

The partners are not keeping their methods a secret; indeed they are travelling around the country lecturing, even thinking of becoming real estate marketing consultants. The shop runs itself without them. They're thinking of expanding, but not too big.

"We've been through a lot of trial and error," sums up Henderson. "But we've earned credibility in the community."



TOP LEFT: Collier Henderson (left), Neil Mosley (centre) and Jim Simkin formed Mosley in December 1979, changed to a modern marketing programme in mid-1980, and now have a major share of the Hastings/Havelock North real estate market. ABOVE: Henderson and Mosley lead their salespeople in a regular Friday morning discussion of exclusive listings.

drivers in Mosley blazers, in touch with each other and with head office in Hastings by radio-telephone.

Every Friday morning partners Neil Mosley and Collier Henderson lead their 11 qualified real estate salespeople in an inspection tour of every exclusively listed property that has signed on during the previous week. Back in a meeting room, they discuss each property — plus all exclusive listings not yet sold.

Is the price right? Has the market changed? How about a switch in advertising emphasis? An open house? An auction? And there is no doubt in anyone's mind about who they're working for: it's the seller, not the buyer. The seller pays the commission.

A sign tacked to a painting in the meeting room reads: "How big a slice do we want? How big a slice can we get?"

Dismantling traditional real estate sales methods appears to have given Mosley a fat slice of the market for miles around, in a very short time, even in such an ultra-conservative provincial area as Hawkes Bay.

Before Neil Mosley and Collier Henderson joined forces, each had had his individual real estate agency, employing two or three salespeople. In December 1979 they combined with Jim Simkin, who handles the legal and administrative side, to form Mosley, Henderson and Simkin, Hastings.

But in March 1980, inspiration struck, in the form of Australian lecturer Peter Newton. "He changed our whole real estate world," says Henderson.

"We did what he said. Changed from selling to marketing. From serving the buyer to serving the seller."

The firm's name was simplified to Mosley. A local designer was hired to create a distinctive "colourway", as Mosley calls it: cream and maroon (or rather, wild rice and burgundy) for letterheads, for-sale signs, blazers, contracts, everything.

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"Kingfisher". Watercolour, 23" x 18" by Raymond Ching

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## Energy

# Token NZ presence only at UN conference

Nigel Isaacs and Chris Lipscombe report from Nairobi

MOST of the international community sent their energy experts and high-level politicians to Nairobi for the United Nations conference on new and renewable sources of energy (UNCNRE for short). But New Zealand expertise, except in the field of geo-thermal energy, was conspicuous by its absence.

Australia sent a high-level delegation of politicians and civil servants headed by Industry and Commerce Minister Sir Phillip Lynch.

New Zealand sent a team of two.

Dick Bolton, chief geothermal engineer with the Ministry of Works and Development in Wellington, headed the delegation — initially without any credentials because Foreign Affairs apparently forgot to give him the necessary diplomatic note.

The other member was Dick Martin from New Zealand's permanent representation to the United Nations in New York.

Energy Minister Bill Birch chose to stay at home. Considering the quality of the New Zealand national report submitted in the pre-conference build-up, perhaps it was just as well.

The New Zealand national report is supposed to be a six-page statement on current activity on the energy technologies covered by the conference.

The 14 technologies (wind, wave, tides, geothermal, ocean thermal energy conversion, biomass, fuelwood, charcoal, peat, draught animals, oil shale and tar sands, solar and hydropower) were selected on the basis of their potential contribution to a world shifting away from dependence on oil.

New Zealand's paper, significantly, concentrated almost totally on research and on questions of supply rather than of need or end-use.

The paper repeated many of the familiar energy project slogans, including the proclamation that synthetic gasoline, CNG and LPG will "bring New Zealand close to 50 per cent self-sufficiency in transport fuels" but without adding that this is achieved only in the petrol transport fuel sector.

Surprisingly, the 1980 Energy Plan is quoted as

Government policy, when the Minister's own directions were for the plan to "summarise the advice of the ministry". Perhaps at last we have an energy programme in black and white for which the Government will accept political responsibility!

Reports on New Zealand-based demonstration and display projects were missing from the official paper, an omission considered surprising by other nations faced with dramatically-increasing oil imports bills.

No report was given on current New Zealand commercial activity in fields such as solar water-heating, water-pumping windmills, wind electrical generation machinery or improved wood-burner design.

Instead the projects reported were those carried out under the New Zealand aid programme — geothermal projects in the Philippines and Indonesia, mini-hydro schemes in Fiji and the Solomon Islands.

At least one national paper presenting some of the problems of the Pacific basin, however imperfectly, did contrast to the bias towards Asia, Africa and Latin America obvious in conference papers and discussions.

That bias was so pronounced that a map prepared by the Food and Agriculture Organisation of the fuelwood situation in the developing countries, detailing "fuelwood needs and accessible availability", ignored the Pacific region.

The conference opened with keynote speeches from an impressive line-up of world leaders. Beyond the pomp, platitudes and "chaff" — as the on-site conference newspaper described the speeches — little that was new emerged.

Kenya's President Daniel Moi clearly espoused the view held by many nations that underdevelopment in the "South" was largely due to the overdevelopment of the "North" (the rich industrialised countries, in current United Nations jargon). He set the tone for much of the conference, which had little to do with energy, but a great deal to do with the world economic order.

The types of energy projects discussed at UNCNRE emphasised advanced technologies, economies of scale, capital intensity and centralised management.

Transnational corporations already pre-eminent in the exploitation and marketing of oil have moved rapidly into areas which are commercially promising and in which they already hold a comparative advantage.

High-technology energy options, such as photo-voltaic cells for production of electricity from solar energy, were pushed in the "Energy 81" exhibition held just outside the Kenyatta International Conference Centre, while simple low cost alternative energy technologies — dealing with biomass, wind and water power, for example — were all but ignored.

The exceptions stemmed from governments or private organisations which had provided funds for research and development of such resources. It seems unlikely, on the strength of the New Zealand

report to UNCNRE, that funds for such development projects will be forthcoming in New Zealand.

The non-governmental organisations (NGOs) not represented at UNCNRE, in their own forum across the road from the Kenyatta Conference Centre in the Kenya Polytechnic, chose to tackle the energy problems of women and the rural poor — the 2 billion people who live in the "energy vacuum", who consume infinitesimal amounts of oil and rely on human and animal power for much of their energy needs, supplemented by fuelwood for cooking and kerosene for lighting, for the more affluent.

While officials addressed the energy needs of industrialisation programmes and urban populations, the NGOs tended to stress models of

development that begin with the rural poor, emphasising "needs" rather than alternative energy supplies.

Much of their discussion centred on the third world's increasing demands for fuelwood, and the associated problems of deforestation, erosion and desertification.

In a march to the steps of the Kenyatta Conference Centre on the second day of the official UN conference, the NGOs, bearing firewood and seedlings, brought this "other" energy crisis to the attention of delegates.

UN Secretary-General Kurt Waldheim, seedling in hand, described the demonstration as "deeply moving", and expressed his "deep concern" over the world energy crisis.

"This is not only an economic problem," he said, "but a political one which

Kurt Waldheim... deep concern.

threatens the very stability of the world."

NGO representatives on the march couldn't have agreed more.

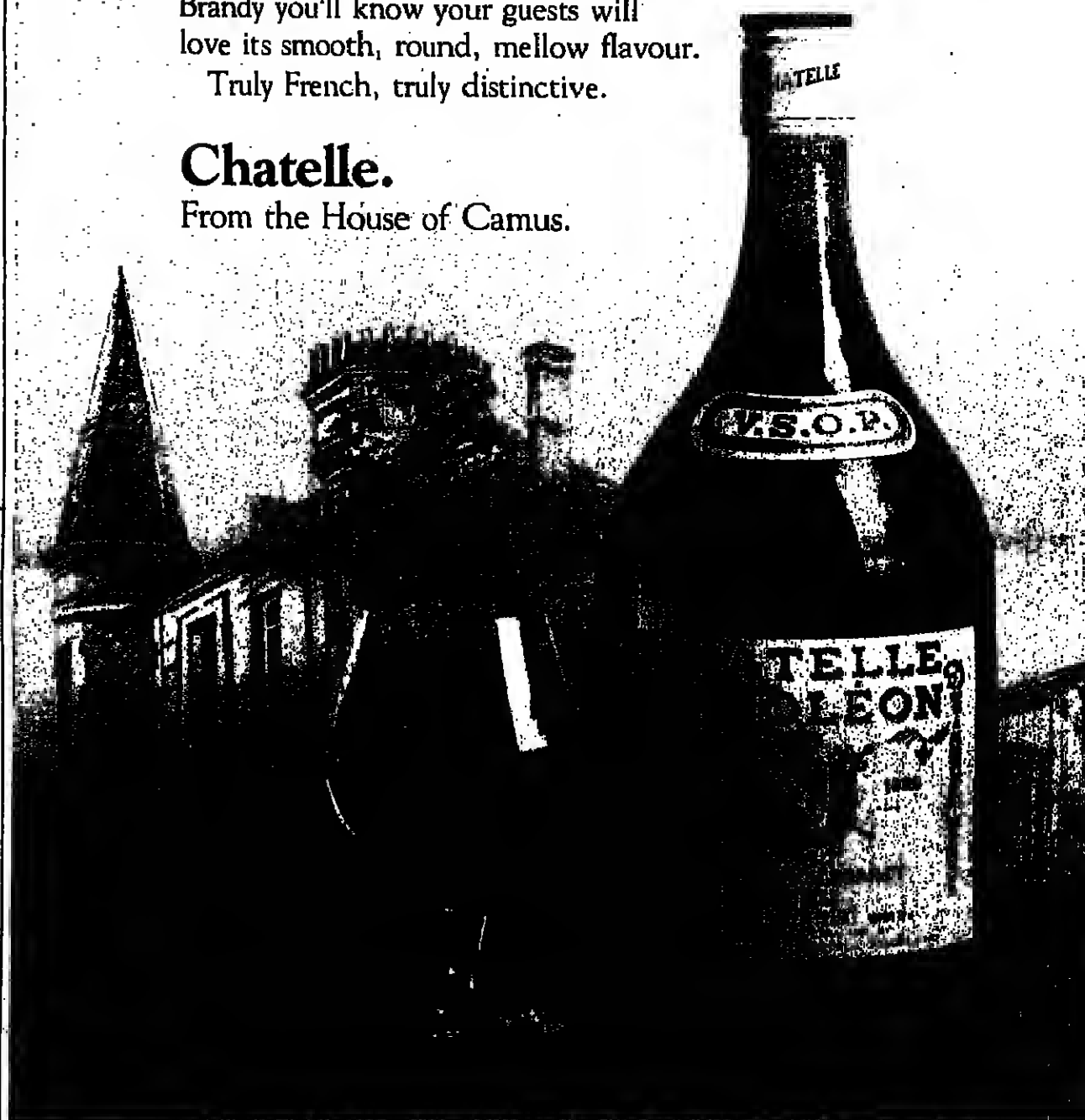
Nigel Isaacs is an Auckland-based consultant in alternative energy technologies. Chris Lipscombe is a Wellington-based freelance journalist covering trade and development issues.



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## Letters

## Time to halt expansion

I READ with amazement that electrical supply authorities in the North Island are thinking of spending \$70,000 to urge consumers to use more electricity. They say domestic demand has fallen and thus, presumably, their revenues are down.

The \$70,000 would be better spent on retraining for workers at the Clyde dam site.

It is indicative of the chaos in our energy planning that within one year, we have had:

- A surplus of electricity requiring a big user, to rescue us from water spilling over dams; then
- Threats of shortages and brownouts in dry years if the second smelter goes ahead; and now
- Electricity suppliers wanting to advertise for people to use more electricity.

These developments — the

surplus, the smelter, the nd campaign — are all responses to the pressure to keep one of our biggest industries growing. That industry is the electricity supply industry.

Instead, we should call a halt to the damming of the Clutha River, a halt to the proposed second aluminium smelter, and a re-assessment of our energy situation in New Zealand.

Building of power plants, damming of rivers, ought to be done in response to the needs of New Zealanders, not the headlong momentum of a large dam-building industry.

Without the second aluminium smelter, and without damming the Clutha River, New Zealand has enough electricity to take the time for a breather while we discuss what we really want in our energy future.

Questions like how much we value our rivers, how high a priority we place on job creation from electricity used in industry, what else the capital and skills in the power plant

building industry might be used for, all need answering. Spending \$70,000 to keep us on the same treadmill may be a predictable response, but it is time for a better one.

P Sarr  
Wellington

## Medium for children

I was most interested in Grev Wigg's article "Lessons for Marketers" (NBR, August 3) and suggest that there is another, largely untapped, means by which manufacturers and marketers are able to distribute their informational material designed for school children.

*Jabberwocky* is a monthly magazine for children, now firmly established in the market place and with a most enthusiastic following of involved readers. The magazine is based on reader participation and is an attempt to stimulate young

minds in a wide range of interests. This is done through stories, puzzles, articles, games and lots of competitions.

It carries a mixture of recreational and educational material, some of it sponsored, some of it dreamed up in the editorial office, much of it provided by children themselves.

Growing numbers of teachers are using *Jabberwocky* as a classroom resource and each month some 10 or a dozen class sets of work are received — competition entries, stories, or simply some appropriate project a teacher has set.

Because it is not directed at one single age level, *Jabberwocky* can extend or consolidate according to the child's ability and, because it is a magazine in the true sense of the word, children read it "for fun" and gain educational benefit by so doing.

There are always adequate reviews of recommended books which are being used for guidance in buying by parents, teachers and librarians.

*Jabberwocky* needs sponsors and advertising support. It is independently published and privately funded, a fact which prohibits extensive promotion. Probably, for this reason, many of the manufacturers and marketers mentioned in Grev Wigg's article are not aware of this ready-made access to children.

We would be delighted to hear from them.

Jn Noble,  
Editor  
Jahherwocky.

## NZ's trade with America

WHILE there is, of course, much truth in the article "After 30 years an downhill slide..." (NBR, September 7) by Dr James W Taylor there is much that is inaccurate with problems glossed over or not understood. The title alone is misleading. New Zealand has not slid except relatively as has the United States. Per head GDP has increased albeit much too slowly.

Dr Taylor says that farmers are still producing the same products as at the turn of the century. This is only partly true. Beef was then sold in carcass form; for years it has been sold boned out and in cuts. Lamb exports were then unknown. Not many years ago dairy exports consisted of butter and cheese. These now comprise less than half of total dairy exports. One important "other" dairy product is casein which United States dairy interests are trying to exclude.

Perhaps Dr Taylor can help us. Wool is, I guess, much the same as it was 80 or 80 years ago, but so I imagine are the US exports of wheat, corn, tobacco, cotton, vegetable oils; so are exports of crude petroleum from oil exporters. Most countries have their own industries. Perhaps Dr Taylor can explain why the United States keeps on exporting raw tobacco leaf instead of cigarettes or packaged tobacco. Again, the United States has a higher dairy not portion controlled cuts (lamb) than on ordinary cuts. Once again, in doubt, Dr Taylor can assist.

We should, though, be grateful in the United States authorities for the diversification of our dairy industry. Since World War II butter imports into the States have been virtually prohibited, an annual quota of 150 tons (which New Zealand gets) being allowed. Over all that period the US market could have absorbed a substantial proportion of New Zealand's butter production.

Prices would have been somewhat lower but consumption would have risen and the very poor section of American people benefited. With President Reagan's new private enterprise policies here is an admirable opportunity to put them into practice. I am sure that they will work. Once more, perhaps, Dr Taylor can help us.

Undoubtedly, many of New Zealand's policies have been wrong but Dr Taylor does gloss over the real problems of a highly trade-dependent economy which happens to produce the same things that industrial countries do, but at much higher cost. What New Zealand wants is for those countries to apply the same trade principles to farm products as they do to industrial goods. Improved market access would not solve all our problems but would put the

economy in a much healthier condition and better equipped to tackle some of the others.

J V White  
Wellington

## Talking sense about tax

MY congratulations and appreciation to Anthony D Sage on his excellent article (NBR, August 10) headed "Tax reform and the burden of tax". Mr Sage has hit more nails far and square on the head than has happened for many a long day.

A great deal of the present commitment to taxation reform is indeed pie-in-the-sky double-talk from politicians unprepared to put their money where their mouth is. New Zealand's overwhelming problem is dramatically even increasing Government expenditure and a \$2.1 billion deficit budgeted for.

SM's on meat and wool will likely heavily increase this. Only \$700,000 was allowed for in the Budget; \$2 million was on the first wool sale. Unless a major devaluation occurs the printing press or tooth fairy will be busy.

Existing political power-seeking organisations are all guilty of ignoring the fundamental problem of New Zealand's economy: high inflation and soaring Government expenditure. That's the chief cause of unemployment as a social disease. The answer lies in curbing the disease by striking at the causes, not pandering to them.

Whilst a tax reform becomes the popular phrase to be rolled around on the tongues of politicians who are paid to know better, New Zealand crashes down a tunnel with no light at the end.

Maybe the real challenge is for those people who share Mr Sage's views — and there are many — to join together in a political alliance and simply say "stop this nonsense that's going on and govern according to responsibility."

Aubrey Legg,  
Invercargill.

## Forestry policy and politics

THE Director-General of Forests, in his letter printed in NBR (September 7), makes a number of valid points in his justification of the Forest Service and its employees. The crux of the matter is, as he says, that "the Forest Service is responsible for implementing policies determined by the Government." Clearly, criticism would be better directed at the politicians.

Mr O'Neill's argument in other respects is not entirely convincing. He first says "we are certain cutover areas can be restocked, either naturally or artificially, and successfully managed." Then, referring to Karama, he concludes: "The alternative option, of course, is to do no planting."

How is this? The alternative option, surely, is to reduce the present cut to a sustainable yield and restock the logged areas as they are worked with indigenous species. Bearing in mind the nature of the land in question, this I believe is what foresters and conservationists would do if they were not directed otherwise.

Eric Bennett  
Wellington

## Horticulture

## Kiwifruit — big business, along with big risks

by Glenys Christian

WITH a 1200 per cent rise in the acreage planted since 1971, and an established garden selling at around \$60,000 an acre, kiwifruit is big business — complete with big risks.

The days of the "part-time" kiwifruit grower are over, Westbrook Haines, executive director of the Horticultural Expon Development Committee emphasises. "To be successful you've got to work at it."

In 1968 there were 190 hectares of kiwifruit throughout New Zealand. In 1980 more than that amount had been planted in one season in the Nelson area alone. Total land in kiwifruit at that stage was more than 5000 hectares.

Production in 1971 was 2238 tonnes (just over 630,000 trays). Last year 17,965 tonnes (nearly 5 million trays) were produced.

Pat Sale, a horticultural advisory officer with the Ministry of Agriculture and Fisheries in Tauranga, estimates that by 1990, 11,800 hectares of kiwifruit will be producing 233,200 tonnes — or 63 million trays.

The overseas exchange brought in at an average price of \$9 a tray for 75 per cent of the crop exported would be \$425 million, compared with an estimated \$17 million for the current year.

"Kiwifruit has arrived on the international fruit scene," Sales said.

"I believe we will be able to sell what we produce. But what we can't say is what the pricing will be."

J P Turner, chairman of one of the largest kiwifruit exporters, Turners and Growers Ltd, cautions that while it is unlikely that any farmers in the world have been more successful than established New Zealand Kiwifruit growers, the future is unknown for growers who have recently purchased land at extremely inflated prices and face ever-rising costs.

"If production of any particular fruit or vegetable is increased substantially, there will be a corresponding drop in values, unless demand is significantly increased by skillful promotion or unless surplus supplies can be exported successfully," he said.

"In the short term, lower prices are attractive to the consumer but, in the long run, if growers are to remain in business, they must succeed financially."

What chance does the kiwifruit grower of 1990 have of succeeding financially? Recalling the early 1970s, and the establishment of the industry in the Bay of Plenty, Sale said that when good bare land suitable for kiwifruit was fetching \$4000 an acre, "we thought it was a tremendous price."

The same land now sells around \$12,000 an acre, and the average price an acre for an established garden with five-year-old vines would be \$60,000 or more.

"I don't believe we've reached the peak with land prices yet," Sale said. Prospective kiwifruit farmers had to "do a lot more homework" and have much greater faith in the industry to go ahead these days.

Ministry of Fisheries and Agriculture estimates from 1979 show total expenses in establishing a hectare of

kiwifruit up to the seventh year are almost \$20,000.

Peter Lyford, who is updating those figures, says a rise of 30 to 50 per cent over the whole range of costs can be seen as he prepares the new statistics.

"Trellis construction used to be about \$3500 a hectare. Now that's doubled," he said. "Labour was costed out at \$3 an hour. Now it's at least \$4."

While costs are rising, the price returned to the grower is about the same as two years ago.

"The 1978 price showed a margin we haven't met again," Lyford said.

But Haines points out that the yield per hectare has increased over the years.

Looking into the returns for the eighth and ninth years of production, Sale estimates income for the 1981 average export price of around \$8 a tray around \$40,000.

He estimates that, with packing, packaging and storage costs of about \$2.50 for each tray deducted, plus orchard running costs, a little less than 50 per cent of this profit is actually returned to the grower.

The average price for kiwifruit exports can't be determined until the end of the season, because markets in Europe are generally weak when a variety of local stone fruit is available, but strengthen when they become scarce around October and November.

Indications are that an average price of around \$7.50 will be realised, said Donald Turner, chairman of the Kiwifruit Exporters Association.

He agreed that packing, cool storage and packaging would take some \$2.50 per tray from the growers' return, but said these costs were sure to rise.

"There's a tremendous demand for supply to keep pace with, but whether the prices will be as good, is something no one can answer," he said.

Last year a German importer visiting New Zealand was quoted as saying there would probably be a 30 per cent reduction in the price of the fruit over the next few years.

Kiwifruit Exporters Association planning project director Brian Allison agrees that this is "our area of vulnerability."

"We've got to keep the highest possible position for kiwifruit," he said. "It's got to be as near to an exotic fruit price as we can get. But with the great volumes going on to the market the price will drop."

In 1971, just over 200,000 trays were exported. Last year, 4.2 million left New Zealand.

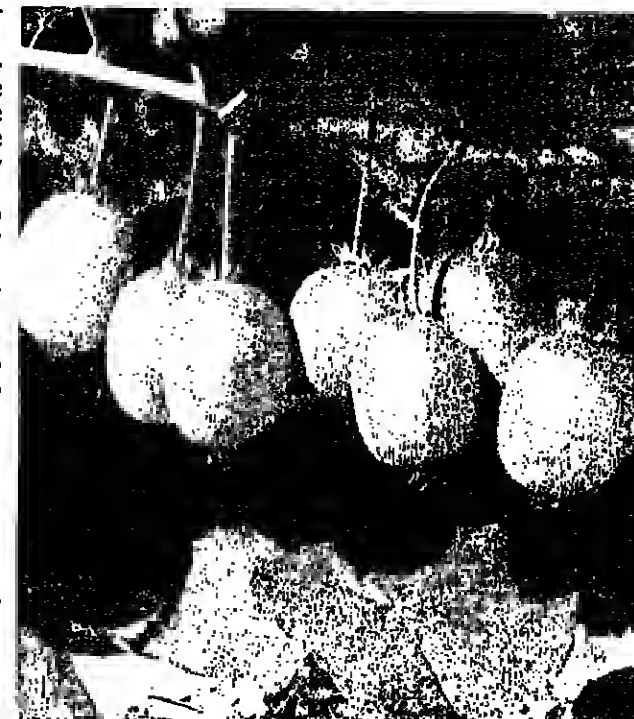
In 1971, the United States was the biggest customer, taking 34 per cent of exports. Germany accounted for 20 per cent, Australia 18 per cent and Japan not quite 6 per cent.

In 1980, Germany took nearly 40 per cent and Japan 23 per cent and the United States and Australia took less than 10 per cent.

Targets for the 1981 season are to slightly reduce the percentage of sales to Germany and Japan, while increasing exports to smaller markets such as Britain.

Allison emphasises that the policy of his Kiwifruit Exporters Association is to ration major markets — a deliberate move to try to keep prices as buoyant as possible, and exporters flexible in their approach to world markets.

Because of a generally



depressed fruit market in Europe this year and the fluctuations of the German mark, up to \$2 more a tray for kiwifruit was being paid on the Japanese market.

So in what Turner described as a "natural decision" 300,000 trays were diverted from Germany to Japan.

He said the price in Germany so far had been "lower than we would have liked, but we hope this action will tighten the market up."

John Anken, executive director of the Bureau of Imports and Exports, said there was enough flexibility in the kiwifruit industry "to allow us to cover situations like this within limits."

"But there is a conflict of obligations between the market which will be the best price producer, and the need to satisfy our old customers."

Haines emphasises that "we are no longer price-chasers... we don't put all the crop on one market because it provides a higher return," he says.

"There's some responsibility." But where will the profitable markets be in the future?

Germany and Japan are likely to remain the big two in the next few years, but most attention is likely to be paid to developing the United States.

By the 1990s there will be competition there from the locally grown product and from imports from other countries.

According to Pat Sale's research figures, California has the greatest area of kiwifruit orchard in the world after New Zealand — around 1200 hectares planted by 1980.

Already the Californians export 70 per cent of production to get higher prices than are available on their home market, so they are establishing a reputation for their product in Europe.

New Zealand is largely free of North American competition on the European market because of the northern hemisphere growing season, but this would not be the case in Chile and South Africa, the two countries which Haines identified as the biggest future threat to the industry.

"They're probably our two most dangerous competitors, but I'm not aware of a great amount of development there," he said.

Sale's figures show plantings of only about 20 hectares in both countries — but the growth of the crop there could

"Consumer surveys are being done to better assess people's buying habits. Our people have literally walked every plot of kiwifruit in the world."

Allison said a ministry survey in June of the Bay of Plenty's kiwifruit prospects "brought home the magnitude of the planning task."

This estimated that, at present growth levels, there could be 32 million trays exported from the region by 1990 and 25,000 tonnes available for the local market or for processing.

Chris Jordan, deputy chairman of the Kiwifruit Exporters Association, has a 30 per cent interest in International Kiwifruit Distributors Ltd, and says there is "a most exciting future" in processing.

About 80 containers of canned kiwifruit were exported last year, as well as 1500 tons of frozen kiwifruit — again, mainly to the Japanese and German markets.

Last year there were problems with low-quality fruit and some buyer resistance to the canned product, but Jordan said that with "self regulation of processors," there were good sales.

"There's no way that returns from the processing side will equal those of fresh fruit sales," he said.

"But there are many areas for increased production here such as kiwifruit and apple juice which is being produced in the

United States at the moment." While there seems to be big potential for growth in processing, the fresh fruit industry is more concerned with taking stock of its situation.

Allison was brought in on April 1 to set up a formal planning procedure for the industry and manage and co-ordinate all aspects of development.

As one of the first steps to getting "a realistic appraisal" of the kiwifruit industry, he is organising a planning seminar in November to which all sectors of the industry will be invited.

"We have got to review the whole strategy of market development and the position that kiwifruit will occupy," he said.

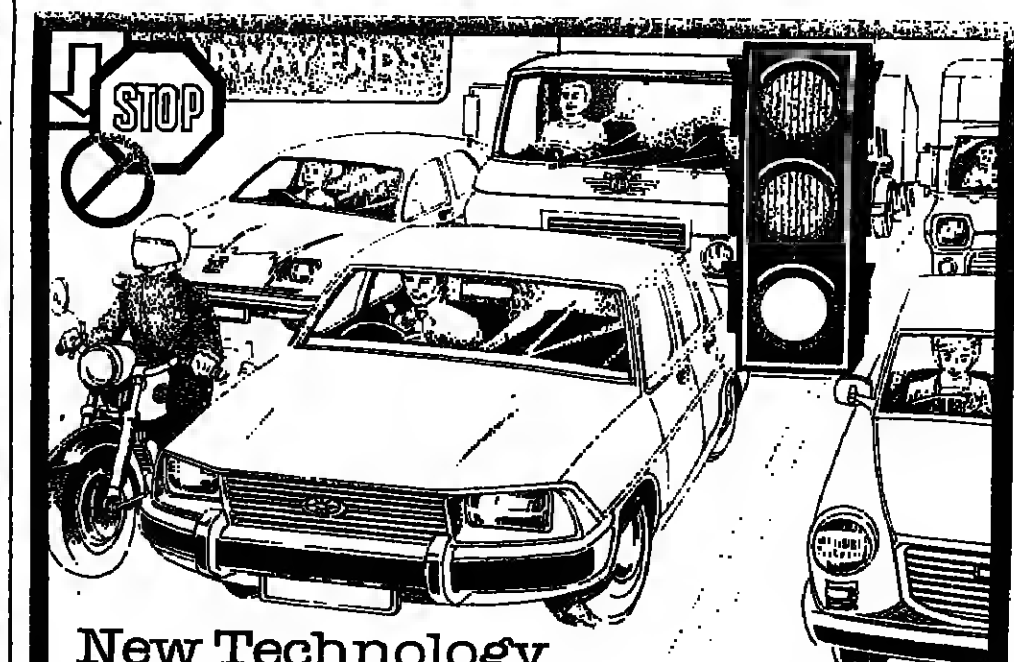
"The rate of growth for the last five years has been 35 per cent, and looks as if it will be approaching that for the next ten."

"That will mean a 10-fold increase in production which is a real problem in itself."

"I would be very doubtful that we wouldn't be able to market 60 million plus trays in 1990, but can we retain the high prices?"

"The industry is driven from the production end with the expectation of the same prices as today's."

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## Wine

by Allan Parker

## Wine industry reports record export earnings

NEW Zealand's wine industry — its product clouded by water and flavouring controversies — has still managed to harvest record export earnings in a one-year period.

For the first time, more than 500,000 litres of table and fortified wines have been sold abroad.

Those successes, representing a 48 per cent volume increase in one year, are attributed to more specialised attention to export marketing by

industry members, according to the annual report of the Wine Institute.

Noting that local wine was sold in 29 countries — including such traditional wine-producing markets as France and Germany — in the year ended June 30, the institute's export committee chairman Graeme Stormont notes: "Acceptance of New Zealand wines in many overseas markets was made easier by the results recorded in a number of international wine competitions."

A "notable advance" has

been the effective registration of New Zealand regions and grape varieties in the European Economic Community, facilitating sales to the vast and affluent European market.

Stormont makes no predictions about future exports. But hopes of maintaining or even expanding sales abroad must be clouded by recent controversies surrounding the industry. The institute's report, made to Agriculture Minister Duncan MacIntyre, was written before the most recent incident, involving Penfolds wines,

and relates to the 1980/81 June year.

Elsewhere in the report, the institute maintains: "There are no grounds for anything other than confidence in current New Zealand wine standards."

"Evolution of wine standards is a continuing process, influenced by introduction of new grape varieties and the emergence of new and improved technology."

"For this reason and, when appropriate, the institute will continue to advocate continuing revision of the Food and

Drug Regulations relating to wine in line with what seems desirable in the interests of consumers, and what is practicable in terms of production in this cool-climate country."

But according to the institute, the existence of suitable standards is one thing; their enforcement is another.

Referring to the Department of Health's step-up of "the discharge of its responsibility to consumers" by introducing wine monitoring and surveillance as well as advice on correct labelling, the report

says: "The department and its officers have received full support and encouragement from the institute, which is concerned not only to encourage higher levels of wine quality but to reassure the public that such higher standards are being observed."

The institute has also decided that its members can best live with the protection measures granted by Government after the Industries Development Commission probe into the future development of the industry.

Although the new rates of duty are less than the institute requested in its final submission to Government, it is "constrained to accept that... the new regime offers basic protection, but retains a sufficient degree of challenge to keep the industry on its mettle."

It believes its request for higher duty rate protection was justified in light of the acceptance by Government of the IDC view that the wine industry has sufficient potential that it is worth encouraging.

"If such an industry is worthy of encouragement, it is surely logical to expect that the industry will be given sufficient protection to enable it to reach that potential."

"In fact, the level of protection given our industry in the tariff rates fixed in the (development) plan merely takes us back to where we were in 1974 in relative terms."

The institute notes a significant difference to its previous protective environment.

Previously, both a protective duty rate and import licensing control operated. "The new regime eliminates import licensing, and substitutes only the temporary and partial protection of a tariff quota system."

"In fact, introduction of this system for wine has been a little-noticed incident of history in our import system; for wine has become the first product to become subject to a tariff quota, which is apparently more acceptable internationally these days as a protective device than the precise quantitative restriction imposed by import licensing."

## Government

## Computer report stalls

THE State Services Commission is undertaking a broad examination of the application of computers to education and training, bringing another bit in the controversial computer-in-schools plan. As well, US-based Control Data is planning to get its Plato educational system considered for employment training.

Education Minister Meri Wellington had been preparing a report on schools computing to present to Cabinet last month — a report said to be heavily in favour of Wellington Polytechnic's Poly microcomputer system.

But no report would now be presented until the SSC had finished its own examination of the machine, the Minister's office confirmed last week.

In the meantime, Control Data, which has made several attempts to promote Plato in Government departments, reports that this project has "disappeared" within the SSC.

The obvious candidate for the terminal-based Plato system is the Labour Department.

## Software development

## 'The Last One' not quite definitive answer

by Stephen Bell

A LOCAL company has signed up an agency for perhaps the best publicised program development aid yet, the British-developed software known as "The Last One".

But although the product was released officially at the end of July, Computerland, the retail division of Southmark Electronics, is still waiting for delivery of its copy.

The original version of the software was developed for the Ohio Scientific line of microcomputers, "but we're more interested in the Commodore or

Apple versions," said a spokesman.

For these, delivery still looks like being four or five weeks away.

Since a press release by "The Last One's" developers attracted worldwide attention early this year, users and software houses in particular, have been clamouring for further information on what the product does and how much of the increasingly expensive programming process it promises to remove.

The program was ambitiously promoted by its originators, David James and "Scotty"

Bambury as the last program ever written — from now on, the users would develop their own computer systems.

But it is plain that "The Last One" in its present form is far from expunging the job of the programmer; even the agent admits that it will hardly allow "your ordinary Joe Blow" to develop programs.

Before handling "The Last One", Southmark's David Schollum said the user would either have to have a pretty good idea of program structure or be very familiar with his application.

The core of the system is a question-and-answer technique which can operate at three or four different levels, "depending on how much you know," said Schollum.

A user with no DJI experience, James and Bambury claim, will be able to enter

broad design details — the basic aim of the system and its constituent programs and the files of data involved.

The system then questions the user to obtain further details, and once it has enough information, will proceed to the generation of the program.

Alternatively one can enter at lower levels and be led into relatively formal procedures of file definition and program definition, with the help of menus which list the file parameters or commands available.

The package apparently begins with broad definitions of program steps, such as "perform arithmetic on such-and-such information", and defers details of the arithmetic until a later stage.

"The Last One" obviously encourages what is known in professional programming circles as the "top-down" approach — define general concepts first and then proceed to details; but with only a vague idea of the problem to begin with, the question and answer sequences could become very lengthy.

And even at the highest, most "English-like" level, the user is still asked to think in terms of data and its manipulation by processes; a way of thinking that might not come naturally to all users.

Alongside their continuing attempt to make the basic package more "intelligent", the developers are working on versions for specific classes of application. These will clearly narrow down the range of possible structures and shorten the questioning process, approaching the more conventional concept of the flexible software package.

The programs generated by "The Last One" are in "bug-free Basic" with some machine code, said Schollum.

The Basic programming language is widely used on microcomputers of many makes, but implementations of the language differ, and specific machine-code insertions, aimed at efficiency, make it still more machine-dependent, necessitating different versions for different computers.

This machine dependence, the agent admits, is one of the package's weaknesses.

The claims originally made for "The Last One" are "extravagant", he adds, "but it's travelling down the right route." While not a user tool in its present form, it lends itself to use in software houses and consultancies seeking to improve their productivity.

## Flexibility urged

THE urgent problem of productivity in computer program development (NBR, July 20) could not be solved by a single product or technique, nor could a set of "best" techniques be fixed for all time in the face of changing program environments.

This was Cincom president Tom Nies's message to a group of senior data processing people at a recent Auckland seminar.

"To cope successfully with the productivity problem, we need eight to 10 products or techniques," Nies told NBR.

Obvious aids, like the high-level terminal-based program definition given by Cincom's Mantis software, provided only 30 per cent of the solution, said the president of the United States software company.

Among what he saw as other fundamental requirements were: a good data management system and data dictionary, allowing the developer to get to the data easily and perceive how different data items inter-related with each other and with programs; competent teleprocessing software, a technique for program, data and systems design and "an improvement in the development language."

Cobol is still the language most widely used in commercial data processing. Although it has evolved, it is still founded on principles devised in the late 1950s. "The original machines on which Cobol was developed are now in the Smithsonian Museum," said Nies.

Nowadays, with our methods of "structured programming"

we are beginning to think we know how to program, and what a good language should look like.

But Nies sees structured development methods as moving, developing entities, like the languages.

It was impossible to guard against change, but a good philosophy to minimise its effect was to keep away from the "physical" entities of the computer systems — the way data is stored on the discs and so forth — and to keep at the logical, abstract level of data and activity relationships.

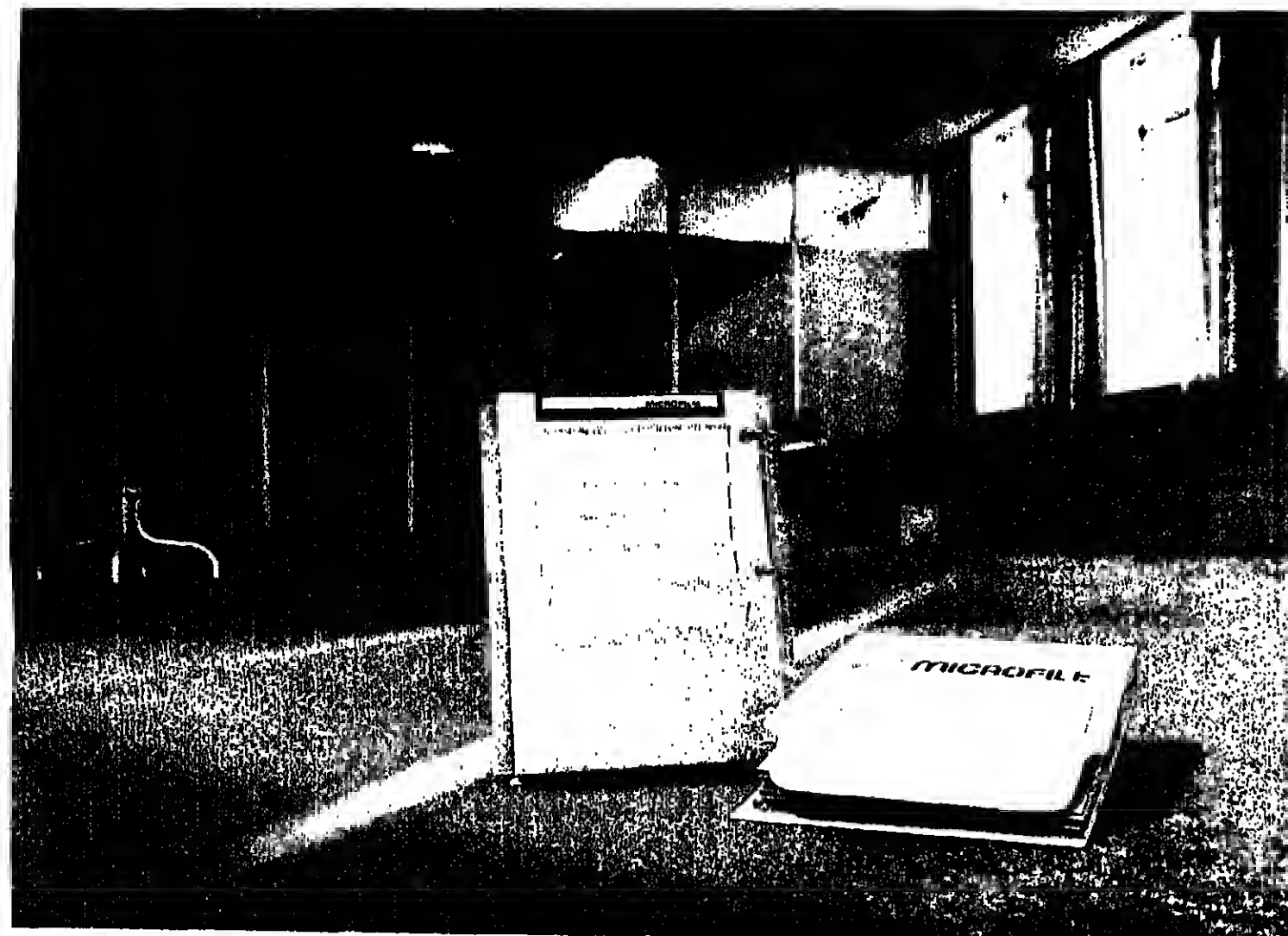
The use of many different development aids implied many command languages to learn, many awkward interface and many vendors to handle. One integrated system from a single vendor would avoid all that, said Nies and Cincom, of course, was developing such a range of products.

The two watchwords are "integrate and insulate", said Nies. Integrate the aids used and insulate yourself from the "physical" view of data and programs.

With all the work that goes into developing systems, it is surprising that many of them turn out to be short-lived. Nies estimates the lifetime of the average application program suite to be 14 months. "The average development time is seven months."

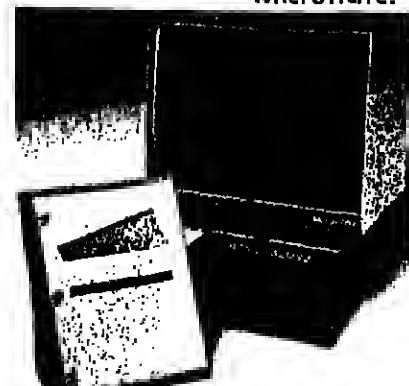
But a good deal of the blame for short program life lay in poorly written, unmaintainable code.

It was easier to rewrite the program than to change it, he said.



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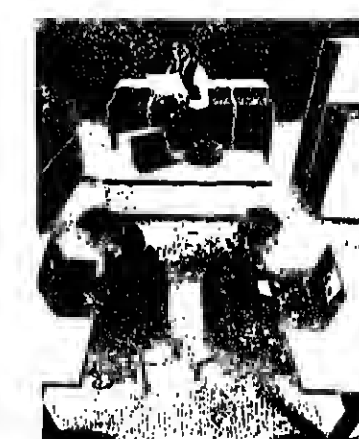
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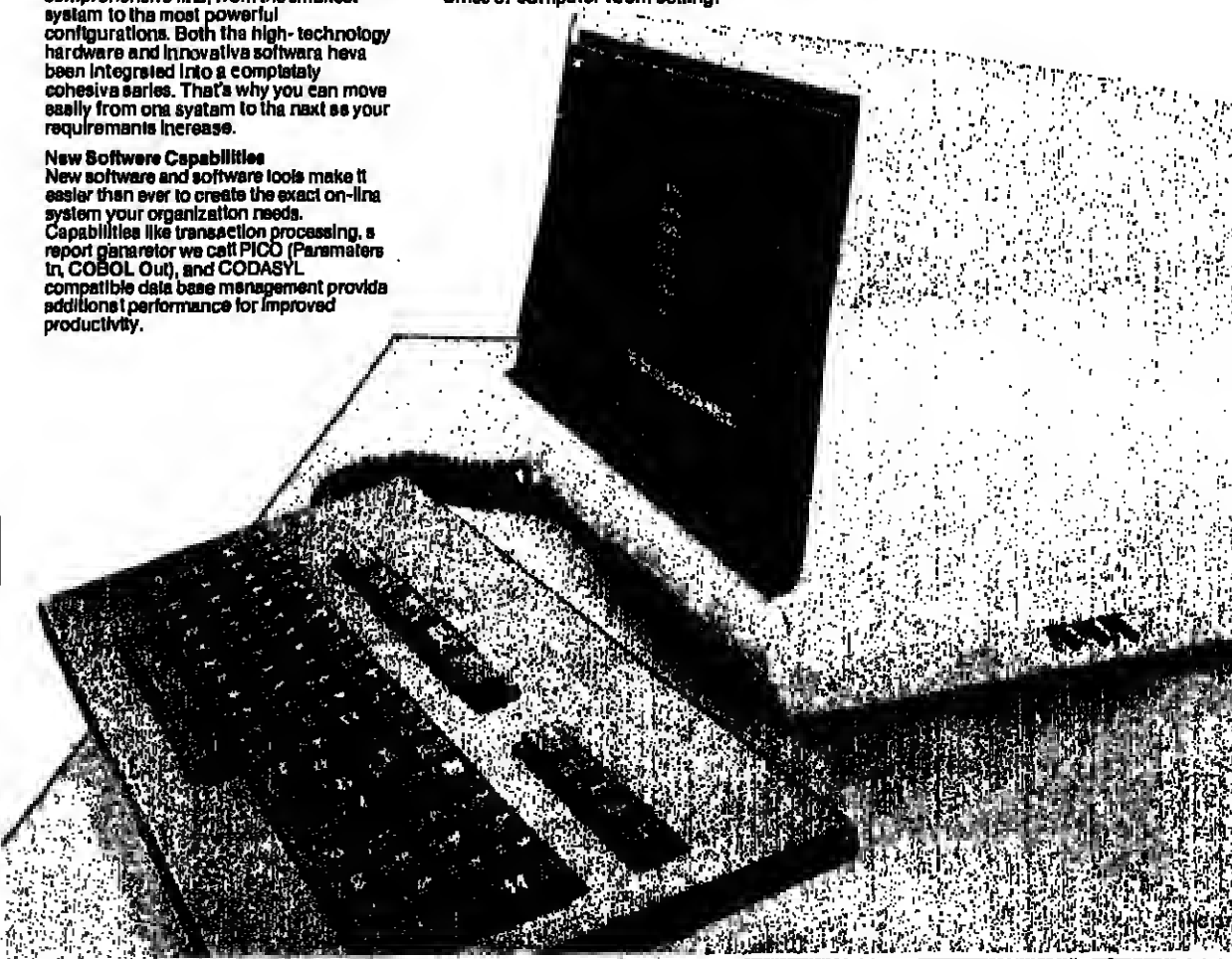
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## DATA PROCESSING

# AWA still promoting system for libraries

DESPITE the National Library's acceptance of a computer-aided cataloguing system from Washington State (NBR, May 25), the library market in this country is by no means sewn up, say the local means of a broader ranging system.

The National Library's purchase carried with it the promise of eventual access by libraries all over the country through a terminal network.

But AWA sees room for its Urics system in the country's libraries, and does not even view it as a rival to the Washington package. The two could be complementary, said AWA's Ron Knox.

Despite an existing network around the Australian National Library, AWA Australia has already succeeded in getting its Urics system into the Universi-

ty of Tasmania and at least one suburban Sydney library.

The national libraries of both countries had been made aware of Urics.

Before the local AWA office decided to bring the Urics system to New Zealand, it investigated the likely market and found "a good deal of interest", despite the promise of links in to the National Library network.

A good many libraries had specialised needs and were not expecting in link into the National Library in any case. The schools library system offered possibly fertile ground, and interest has also come from technical institutes.

The Urics system handles a much broader field than cataloguing, Knox pointed out. In particular, it makes provision for circulation control; the

day-to-day tasks of tracking the books and periodicals issued to and returned by borrowers, and sending out reminders, as well as the callation of long-term statistics.

Administrative tasks tackled by the Urics system were also not included in Washington's software. Therefore the two could in some ways be regarded as complementary, though Knox admitted that trying to use both would result in considerable overlap in the cataloguing area.

The overlap would not necessarily rule out use of both systems, said librarians attending a Urics demonstration. The National Library's union catalogue would be used if someone wanted to trace a book not held locally, but for local library purposes, a stand-alone Urics catalogue would be more appropriate.

Urics runs on a Microdata Reality computer system. Many of the larger libraries would find it economical to run their own processor, said

Knox, but there was nothing to prevent a town's central library setting up its own local Urics network.

Final set-up of a National Library-based network is still almost three years away. It is quite possible that some libraries may not be prepared to wait that long, and will see the readily available Urics system as a feasible alternative.

And the curious spelling of Urics? It's an acronym, of course, standing for Universal Real Time Information Control and Administration.

Urmare is an acronym standing for Universal Readable Catalogue, which isn't; there are at least five other machine readable catalogue standards, but Urics can be tailored to read tapes of any Marc standard into its database.

It could tell the inquirer how many copies were in the library and whether there was a waiting list for the book, and all without running up telecommunications bills. The two systems could even be hooked into the same terminal.

Normally the terminals would be used by librarians, but work is in progress on a Urics terminal for public use, replacing manual or microfilm catalogues. "You wouldn't run that on the National Library catalogue," said one librarian.

The Urics system was originally produced by South African company Unicom; AWA has the Australian and New Zealand rights to the system.

Urics runs on a Microdata Reality computer system. Many of the larger libraries would find it economical to run their own processor, said

business suite runs on the Apple microcomputer and is based on under entry. Surrounding this are linked programs covering inventory, stock control, debits, credits and general ledger.

The protection package tackles a growing problem in the microcomputer software industry: enforcing the copyright on increasingly popular and lucrative programs.

While the user of the computer must obviously be given access to a program for his own use, he must be prevented from copying it. The popularity of the Apple programs has ensured an extensive black market in pirated versions.

Apple naturally had a routine of its own to prevent copying, but this was broken some time ago, said Gleadell. The black market is so rife that the protection-breaking program under the name Locksmith, has itself been selling well on the open market.

Southern's new protection routine has been purchased for world distribution by Automated Simulations Ltd, the same company which acquired the game.

Gleadell is not claiming that the Southern system is unbreakable. "All protection routines can be cracked in time; it'll probably be done by a schoolkid."

The younger users, spurred on by an interest in getting deep into the computer system, and by a shortage of funds to buy software legitimately, are in the forefront of the code crackers.

So two months ago, the company's new monster, the Hayden Bank Company, re-opened negotiations with Southern.

The Southern Software DOES anyone know what the abbreviation for metric tonne is? Dictionaries are no help. Collins gives us a long list of short forms, including the abbreviation for "abbreviation" (abbrev), and a long list of metric measures, but it never combines the two.

The reason we're asking is that according to the Customs Department, the recognised abbreviation for "tonne" is the unlikely "tne". This piece of advice is included in the latest Customs Bulletin for the benefit of illiterate importers who will still keep making the wrong entries on forms for the awash new Casper computer system.

The computer, it appears, is unhappy with anything else but "tne".

The recognised Casper abbreviation for "hundred" is "hd". But the most efficient abbreviation for hundred is "00" appended to the end of the number in question.

It's just as short - in fact shorter, since it doesn't need a space before it, and they can't

tell us that the computer programming that goes into understanding "22 hd" as 2200 isn't considerably more complex than that that interprets "2200" directly.

The Customs tariff list is confusing everyone by persisting in using the full words "tonne" and "hundred" but these erring human beings will soon be brought smartly into line. It'll be "tne" and "hd" as soon as they can get round to altering it (which probably involves reprogramming the Government Printing Office's typesetting machine).

## Computer industry

# Southern Software hits export jackpot

A WIDE range of export success is materialising for Auckland microcomputer software company Southern Software.

Having concluded an agency for its fantasy game "The Dragon's Eye" in the United States - the home of such games - Southern has now signed a software protection routine to the same company for American distribution, and is on the verge of an agreement over a suite of small business programs.

Agreement in respect of the business suite is still to be finalised. The United States company concerned, Programmer International, will be selling software by mail-order to remote areas.

This clearly implies a need for robust, foolproof software with thorough documentation, and this is where Southern feels it scored over competitive American offerings.

"In New Zealand, we're used to dealing with remote situations," said Southern's Graham Gleadell.

The current discussions represent a revival of interest by Programmer International, now under new ownership.

"They looked at the program about 18 months ago," said Gleadell, "but decided to go for an American package instead." This turned out to be unsatisfactory; "it had a lot of bugs."

So two months ago, the company's new monster, the Hayden Bank Company, re-opened negotiations with Southern.

The Southern Software

# Lowering the 'tne' of the discussion

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## Software development

# Databank may move into automating programs

DATABANK is thinking seriously about partially automating its program development.

Against a background of industry-wide concern over the mounting cost of developing software, the country's largest private sector DP organisation will next month begin a detailed half-year study of the program generation aid JSP-Cobol.

The structured programming technique developed by Michael Jackson in Britain is claimed to improve the logic and clarity of programs, easing the inevitable future changes to the system.

Databank has been using the Jackson Structured Programming discipline itself for about a year. It had found this claim substantiated, said Graeme Rolley, the firm's JSP education specialist.

Interestingly, it also appeared to make the initial programming process faster, a claim which Jackson himself is

careful not to make.

The JSP technique is a discipline for "manual" development of programs, deriving the program structure essentially from the firm of the incoming data which the program has to process and the information it must yield.

The program is broken up into a series of operational units. These units can be executed one after another in fixed sequence (read a record, extract information from the record,

print a report line), the same unit may be repeatedly executed several times (do the above for every record in the file), or there may be a choice of operations (if this is a sale record, process it this way, but if it is a purchase record, do a different operation).

What emerges from the consideration of program structure is a sequence of instructions in a specialist JSP language. The programmer until now has had to interpret these manually into

the instructions of a conventional programming language like Cobol.

The JSP-Cobol package, sold here by Lawer Hut consultancy Systems Resources, automates this conversion process.

The weakness of many Cobol generators is that the software has to generate names for many of the data entities manipulated by the program, and these names are not meaningful.

JSP-Cobol suffers from these

drawbacks, but attempts to minimise the generated names by allowing the programmer to write his own Cobol code for the definitions of each file and record and the basic steps involved in the program.

While such lines would typically have to be written many times in a conventional program, JSP-Cobol allows each line to be specified once and thereafter referred to by a number.

The package can also

generate several incidental aids to understanding, such as a block diagram of the program structure. The programmer can then check whether their understanding of the program structure has been correctly conveyed to the automated aid.

Initial Databank experience is promising, but before a final decision to take the software on permanently, a long-term programme of trials is necessary, "to come up with measurable criteria," said Rolley.

# Servicing hobbyist

WITH the opening of its retail computer shop in Wellington's Dixon Street at the end of November, Compu-Sales, which began business from a house on The Terrace, is expanding to take in a wider range of microcomputers to service the hobbyist user.

But the firm's emphasis will continue to be on the small business client, spokesman Warren Cardno emphasised. An extensive range of processors, peripherals and software will be available to service this growing market.

Among the company's more recently acquired agencies is the Sharp PC-3201, an impressive example of the real foothold the Japanese manufacturers are getting in the market, with exceptional price-performance.

The desktop machine, equipped with two mini discs and a small matrix printer, retails for \$8500, said Cardno.

Compu-Sales has already found three customers for the machine, including the national YMCA with an extremely complex set of interrelated accounts to maintain.

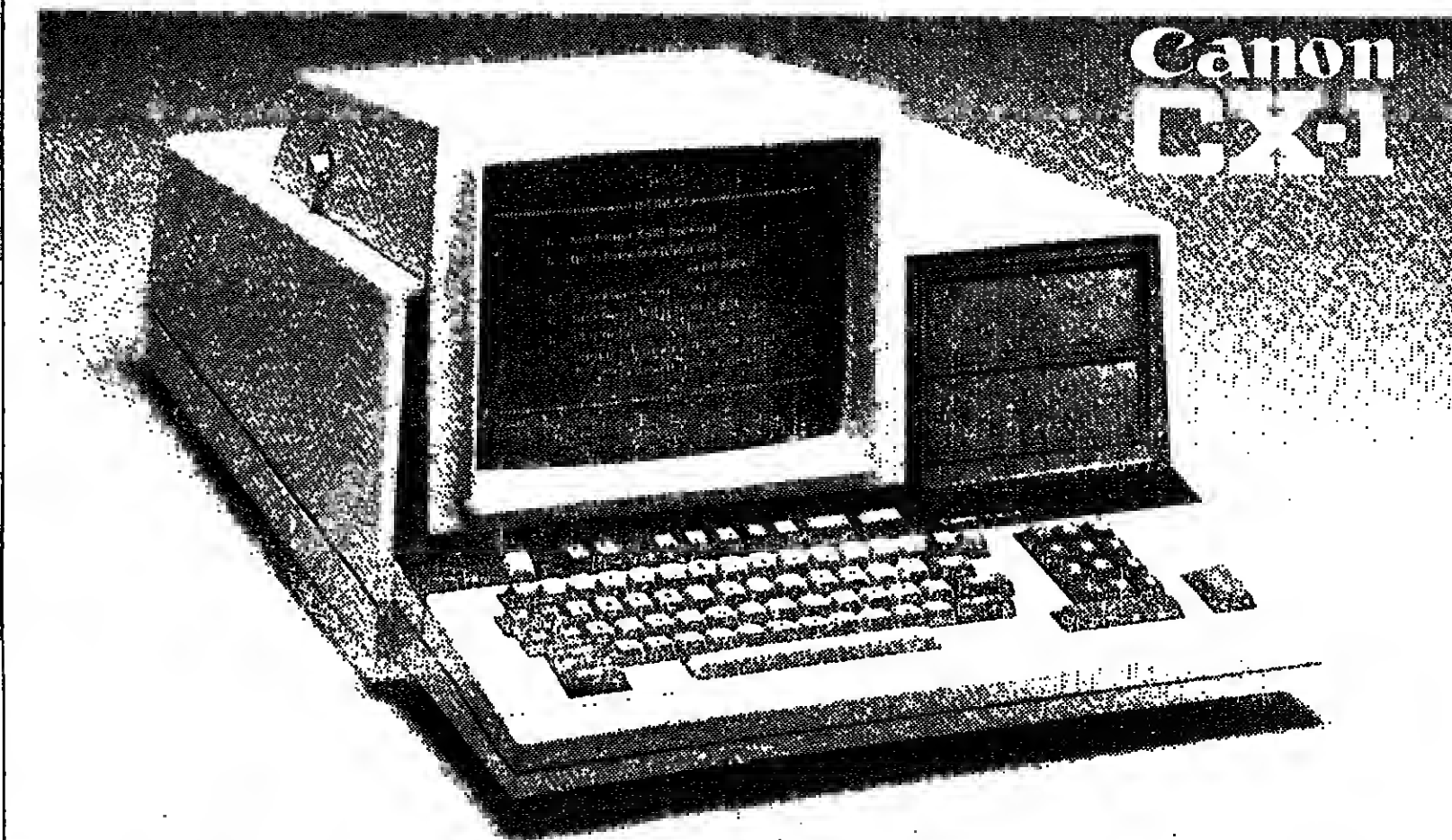
The Moore-Wilson wholesale chain is looking at taking on the Sharp models to collate data from its MKD cash registers. Local software house Gemini Microsystems is arranging the interface to allow Moore-Wilson to transfer taped data from the cash registers direct into the Sharp machine.

Other lines in Compu-Sales repertoire will include the TRS-80, mainstay of the microcomputer market, and the Narthar Horizon, highly regarded by independent United States evaluators.

The agency also has its eye on the new model from Casio, which looks like a much less expensive version of Hewlett-Packard's 85.

A range of peripherals will be carried and emphasis will be placed on software advice, with a separate department specifically to discuss users' applications problems.

Another aspect will be the supply of books on computing topics, an angle which is relatively neglected by other microcomputer agencies, Cardno claims.



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## DATA PROCESSING

### Computer industry

# Gigi: growing up before our eyes

ON the heels of the official Australian/New Zealand release of its Gigi colour-graphics terminal (NBR, August 3), Digital Equipment has launched a parallel attack on the business graphics market — a promising area it seemed to have missed by directing Gigi to educational and scientific users.

With its latest terminal, the VT125, Digital has taken a curious approach which seems designed to ease the business user gradually into colour graphics.

The terminal's inbuilt display is monochrome, but the video signal is four-colour, and can be fed straight from a

socket in the back to a separate colour monitor.

One can easily see a user wooed into graphics by the relatively inexpensive monochrome option, and subsequently realising the additional value of colour. Colour monitors would be available through Digital or from independent sources.

The graphics capability of the two terminals relies on the same processor and software; a language known as Regis; user graphics routines are thus transportable between the two terminals; this would offer the Gigi user business-oriented graphics aids such as financial distribution bar graphs.

Conversely, the VT125 will be able to give an inexpensive monochrome introduction to Gigi routines for the scientific user.

But Gigi routines are not yet officially "available" to users of the other terminal, Digital stressed.

The latest terminal has also been equipped with its own scientific routines, handling applications ranging from presentation of data histograms to the comparison of spectra.

The path is made even easier with conversion kits, allowing the longer-established VT-100, 103 and 105 terminals to be upgraded to VT125s at about half the cost of a new terminal.

Gigi was also released with advanced text manipulation software, under the name Scribe. While of obvious use to the scientist in preparing reports, this is likely to be even more valuable to the business user.

Scribe is, incidentally, the first "external" software product taken on by Digital, which usually develops its own software. Scribe was developed by American company Unilogic Ltd.

The Gigi terminal has been put forward locally as an element of several tenders centred on the VAX processor, said Wellington sales manager Ken Claridge.

Digital plans to integrate its graphics terminals increasingly with the VAX's standard software.

A new version of the Datatree utility will allow the user to store and retrieve graphics with the same ease as conventional data; and this capability will be included in the planned database/data dictionary system for the machine.

when this emerges late this year or early next.

Meanwhile, further improvements to Gigi itself are certain, with the introduction of local diskette storage for its terminal. Ultimately, a boxed version can be seen casting its terminal fetters and emerging as Digital's attack on the personal or small business computer market.

## Directors set up firm

WHILE some computer firms feel narrow specialisation is the way to go, Australian company Hartley Computer was clearly

getting too specialised for its own good, including New Zealanders Terry Ashman and Derek Johnson, who have set up a new company, Management Control Systems.

The new company will operate both in Australia and New Zealand (the Queensland and Auckland bases), and significantly, its research and development will be handled chiefly in New Zealand.

Management Control Systems will base its computer systems on Wang hardware, will concentrate heavily on manufacturing control at related accounting.

MCS has taken over a local company, Manufacturing Control Software, which developed some "impressive utilities" to aid program development, said Ashman.

This company's director, Mark Paton and John Sun, will run the operation here for the time being, but Wang will clearly lead marketing strength while MCS builds up its own strengths in this area.

Hartley was one of the first Australian companies to make the leap into manufacturing its own minicomputer systems: the 3900 series.

While not worried over the viability of local computer manufacture *per se*, Ashman admitted that the 3900 was not a "sufficiently general-purpose machine" for what he and his collaborators saw to be a promising market.

The hardware manufacturing venture was obviously also a big factor in Hartley's eventual cash-flow position which one of the other departing directors saw as an additional factor in their leaving.

They had tried to persuade Hartley to take a broader view of applications, embracing particularly the lucrative manufacturing area, said Ashman. But Hartley seemed intent on sticking to its established activities in conventional commercial systems and chartered accounting.

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## ELECTION WATCH '81

### The Christchurch scene

# Labour rides high on talent, tenure

CHRISTCHURCH is sedate, foggy and flat — good territory for the Labour Party.

Once upon a time Christchurch had pretensions to keeping up with the north, to be the Auckland of the South Island.

Stagnant Dunedin and the smaller centres stretching to its north and south were somehow beneath its dignity.

Nowadays it is part of the South Island. The northerners have been in, raped it and left. Having half closed the place down, the ravagers have moved on.

In their wake is the depression psychology that people normally associate with Wanganui and Dunedin — the country's most solidly Labour towns.

It is no surprise that Christchurch, too, has now gone Labour: a Labour-controlled city council and seven out of eight metropolitan parliamentary seats — and even that eighth Labour's sights in the coming election.

But what is surprising is that the Labour takeover has been accompanied with a flowering of talent.

The general election of 1978 and the Christchurch Central by-election of 1979 changed the face of Labour in the city.

David Caygill, Ann Hercus and Geoffrey Palmer are among the most able MPs in the House — of either party and of any age group. They are bright, hard-working, attractive, and already nationally known figures. Any one of them realistically to be a leader of the party.

They are also flexible and innovative — at the centre of a profound rethinking of Labour's economic, industrial

and constitutional philosophy. Caygill has chaired the Labour economics committee; Hercus has had a big hand in the reshaping of agriculture, industrial and consumer policy; Palmer has reigned Labour's previously corporatist attitude to the relationship between the state and the individual into something much nearer the mainstream liberalism abandoned by the Muldoon National Party.

Not should one forget Mike Moore. He acts as a democratic trustee and a voice for other voters, and in a political arena, an eye for his opponents' jagged and a skill in obtaining publicity.

Continued Page 38

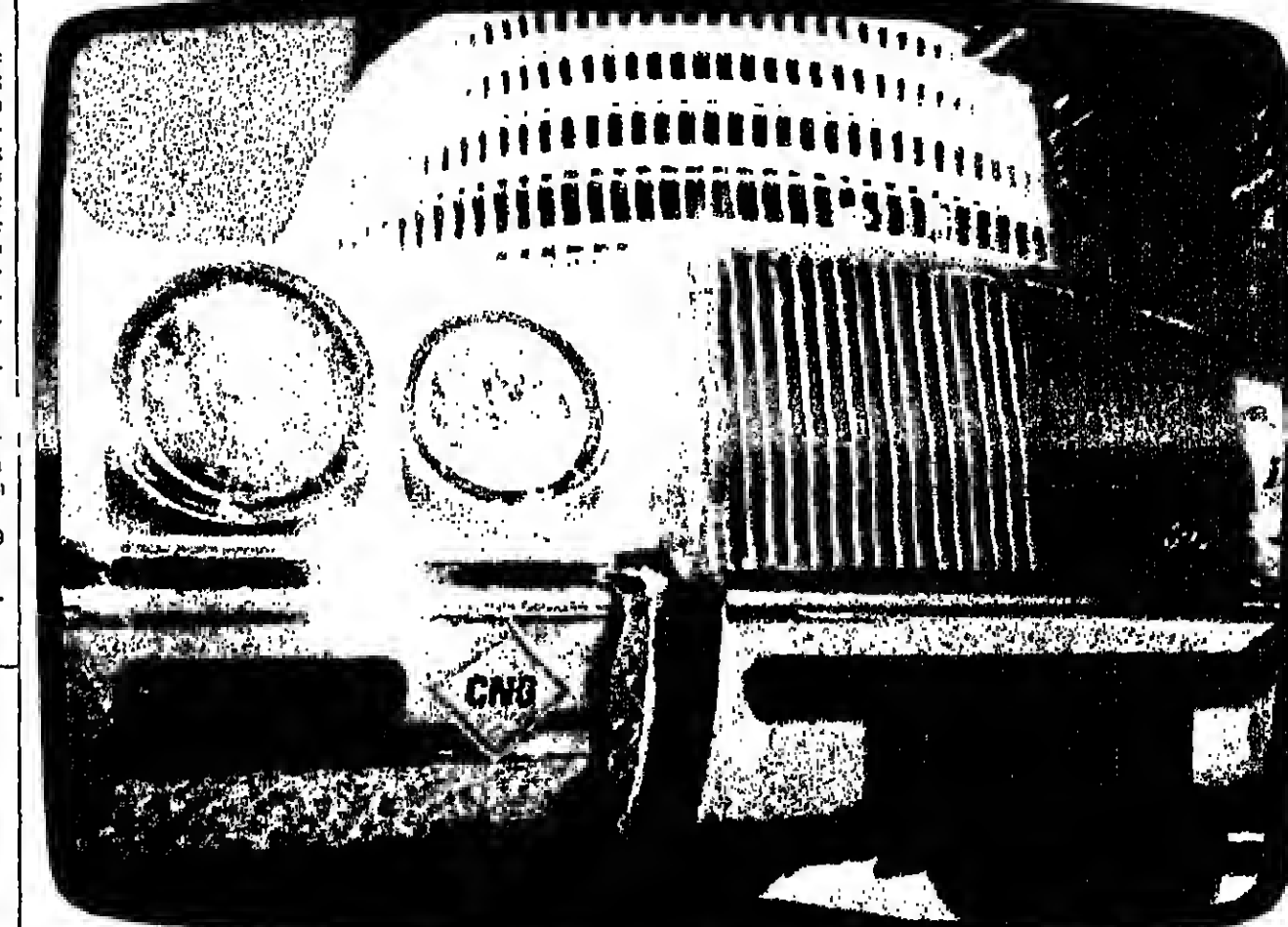
Compiled by Colin James and Richard Fletcher and written by James, David Cowe.

### New Publication

## The first complete guide for office decision-makers.

The Office Book, published by Fourth Estate Periodicals, is specially designed to keep office managers completely up-to-date with the rapidly changing office scene. The first issue of this impressive new annual includes authoritative articles exploring trends in a number of crucial fields including: employment (technological innovation and changing roles in the office), building (the creative developments and new concepts in office building), ergonomics (the challenge to office designers and planners) word processing (progress of the revolution and a comparative guide to products, suppliers and prices).

As well, The Office Book's comprehensive directory section is designed to give office managers fingertip access to all companies providing office products and services in New Zealand — everything from paper clips to word processors. To order your copy of the brand-new and indispensable desktop directory, simply fill in the Fourth Estate Subscription Service coupon elsewhere in this issue.



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## The Christchurch scene

ELECTION WATCH '81

## Where 'crazy' politics make up for dreary lifestyles

by Warren Mayne

SO much for a general election — that's for folks at the other end of the Cook Strait cable. In Christchurch, they don't need to carry out the threat of cutting the electrical umbilical cord to stage a mini-election of their own on November 28.

After Auckland, with its subtle shift Nationalwards, and Wellington, where the triennial call on the voice of the people is a brief silencing of the murmuring of "informed sources", Christchurch is, to say the least, atypical.

Christchurch is "in-fighter" country, compared with Wellington's "insiders" and Auckland's "in people". Christchurch feels the economic chills of recession, a later-day shiver to overlay an erstwhile Liberal tradition and an ensuing Labour dominance.

Christchurch offers the zenith of the snob syndrome, suddenly overwhelmed electorally by slob voting patterns. Christchurch has allowed its most "U" people to conspicuously cluster together in their ostentatious islands of suburban affluence, surrounded by square miles of featureless areas housing people all the more conscious of their "non-U" status and willing to transmute this into "snit" votes.

For that reason Labour in Christchurch held on in '75 and consolidated in '78, defying national shifts to National. Inner Christchurch is still a Labour bastion, relatively unlighted by Socred.

Some of Labour's more spectacular signs of renaissance last election occurred in metropolitan Christchurch where a claimed "carpet-bagger" in Mike Moore swept away a Muldoon intimate in Bill Walker and a Muldoon protégé, Colleen Dewe, fell by the wayside as Lyttelton returned to traditional voting.

As a result, the Labour Opposition has managed to groom an inner circle of new faces secure in their Christchurch strongholds. Former student president and city councillor David Caygill has been allowed to blossom in a friendly St Albans electorate, a generation and umpteen boundary

and his local grassroots support, Norman Kirk.

Kirk was truly "Big Norm" in these parts — and his careful cultivation of the Labour Party organisation at a civic level produced one of Christchurch's peculiar political quirks.

Either by coincidence or as the result of socio-psychological trends deeper than psephologists have so far been able to dig, Christchurch's local body politics have during the 1970s played the weather vane role for ensuing trends nationwide.

Kirk fuelled the process in 1971 by carrying to the Labour fight against Citizens mayor Ron Guthrey's plans for a motorway across the holiest of holies, Hagley Park, into the parliamentary arena. The empowering legislation Guthrey needed was given more parliamentary debate, by the Kirk-led Opposition, than any other bill that session.

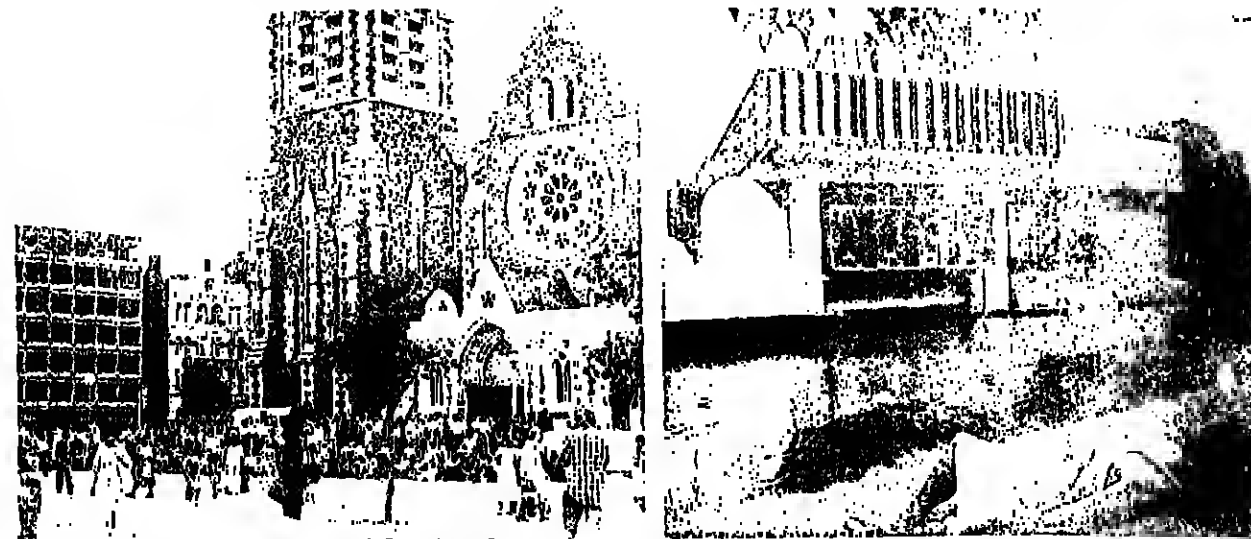
Results at the 1971 poll — a Citizens oligarchy swept aside to make way for a solid Labour majority behind Neville Pickering, who unfortunately didn't emulate Kirk's appeal to the common man with his reintroduction of the cocked-hat trimmings of mayoral office.

But a Labour council was elected on policies radically different from Guthrey's on both Hagley Park and the location of facilities for the Commonwealth Games. Interestingly, the rearguard anti-Labour battle against Pickering's Queen Elizabeth II Park plan was, after the election, routed by small businessman Colin Marshall.

Interestingly, a former chairman of the cowed National Party organisation in Kirk's Sydenham electorate stronghold.

Come 1974, and the voters ousted both Pickering and his Labour majority — a year before Muldoon achieved a similar about-turn nationally.

Christchurch again bucked the nationwide trend in local body electioneering. Only in Christchurch was the swing against Labour resisted — in fact, a resurgent Labour council left Hamish Hay as a "lame-duck" Citizens mayor.



"Official" Christchurch — Wizard's lunchtime audience in the Square and showplace Town Hall on the river.

Labour's most prominent hardliner, Mick Connelly. Skirting the outskirts of Christchurch proper are two other interesting seats; one Labour-held Lyttelton, which National seems almost to have resigned to Labour's media-attuned Hercus, the other Rangiora.

Rangiora, which passed in 1975 from Labour's one-term, Kerry Burke (now safe in West Coast), was redempted sufficiently in the 1977-boundary changes to stay with National. But now Labour is mounting a full-scale attack on this mixed dormitory suburb-town seat to pose a serious challenge to the Government's version of Hercus and Caygill, party philosophy purist and arch-colonel Derek Quigley.

And so the Christchurch battlelines are drawn — not so much street-by-street warfare as a siege aimed at breaching the outer walls of what obviously the Government regards as a secured fortress.

And what about the fifth column of electoral havoc, Social Credit? Not really a serious contender here, despite two by-election successes (Sydenham and Central) of coming second.

Write these off; in Sydenham the National Party failed to field a candidate in a multi-candidate shadow box that saw one Kirk replaced with another; in Christchurch Central, Bruce Barclay's seat stayed Labour with Socred's No 2 placing the only way a perplexed token core of diehard National faithful could show their disenchantment at the especially severe effects recession had on their city, at a time when it didn't really politically matter.

Social Credit's profile has fallen to a low level in greater Christchurch, to match the overall South Island indifference to the league's blandishments in the last "trad" region of old-fashioned adherence to the conventional concept of two-cornered politics.

Yet so much of Social Credit's internal history has been played out in Christchurch — a generation ago the city succoured first leader Wilfrid Owen, a local manufacturer; a decade ago the internecine wranglings between the Canterbury and Christchurch hierarchies played a major part in the 1971 split between mainline Socred and John O'Brien New Democrats.

But a city that nurtured perennial cheerful and perennially losing Joe Pounaford in Sydenham, a local identify if only for his billboards down lower Colombo Street, and his successor, Terry Heffernan,

runner-up in Central and now one of the league's brightest hopes, as Wanganui candidate and national and regional development spokesman, cannot be written off for Socred.

Indeed, right from Wizard Ian Brackenberry Chane's "Imperial Tory" party, to anti-compulsory unionism discount grocer Owen Beaumont, not to mention apocryphal cycling-trendy "closet Tory" Values surges, Christchurch is an enigma politically, with "fringe" interventions taking serious politics off on satirical tangents.

In fact, it's this "fun" — or just plain silly — side of the Christchurch civic character that disarms visitors. While northern cities are used to "street politics" confined to serious issues, such as industrial disputes, unemployment, and the like, Christchurch has a "Hyde Park corner" mentality of its own.

Every lunchtime in Cathedral Square the Wizard and his apprentices vie with "Bible Lady" Renee Stanton and anti-drug crusader Ray Comfort for the ears of passersby willing to be harangued on peripheral concerns to them.

The Wizard's self-spoofing leaves these other displays of out-dated puritanism. Off the streets, remember too, that Christchurch has spawned arch-moralism in Neville Rush's "Integrity Centre" movement and even the enthusiastic evangelism of gospel radio station Radio Rhema.

Such out-of-mainstream quirks are undoubtedly this community's reaction to the sheer mundane predictability of the Christchurch lifestyle.

In a city so topographically mundane that 90 per cent of the population live with a view restricted to the next-door house and have to rely more ostentatiously than anywhere else on conspicuous show of wealth or rigidly defined "good" or "bad" areas to define socio-economic status, political divergence operates on "never the twain will meet" level.

Christchurch's enclaves of opulence, aside from the status-heavy hill suburbs, have had to accommodate displays of "upper class" living through the dual pull of both nouvelle riches overtly demonstrated to passers-by and excessive covert reliance on traditional inherited "First Four Ships" class.

Outside the affluent pockets, where choice of "right" school exercises a greater social pull than in any other centre, the rest of Christchurch subsists on various clearly defined social and socio-economic strata.

Not to mention, of course,

the lingering Cantabrian far-left, mainly university-based, radical fringe — even now in the Springbok tour protests still producing more than its share of "crazies."

Christchurch's bland image in the national consciousness has been largely due to its avoidance of the publicity accorded in Auckland and Wellington's darker sides.

To be sure, Fendallton and its high-profile affluence have always been a standing joke, with the media-conscious Canon Bob Lowe unwittingly helping foster this image of "old-world" wealth radiating from his St Barnabas vicarage.

But the southern equivalents of Otago and Puntland have never been as glaringly obvious, thanks largely to the radiating urban sprawl of Christchurch, intermingled by geographical barriers to act as landmarks.

But in Aranui — on the windward side of a particularly resplendent sewage treatment plant and built, literally, on the biblical shifting sands — and in the decaying ruins of long-established Addington, Christchurch has fostered its own inter-day poor, not to mention sprawling "nappy valleys" like Bishopdale and Parklands.

The past decade or more in Christchurch has been punctuated by the outward manifestations of such economic ills, the gang confrontations between old style "68" Mods and Rockers" in the far more telling, largely Polynesian gang battles of more recent years.

On top of this, middle-strewn Christchurch has finally fallen victim to what a decade earlier could have been dubbed the "Dunedin disease".

Now it is the turn of the city that once was a large enough South Island metropolis to act as a halfway stop in the continuing South-to-North exodus to Auckland to see itself drained of commercial and industrial infrastructure.

Over the past five years as Christchurch has seen factory closings as some companies, dictated by big-business takeovers, move operations north and other concerns, notably those in the depressed textile industries, merely shut up for good.

Greater Christchurch had had to shed its "big city" pretensions and concede it is as prone to the continuing recession as the rest of the South Island. Unemployment figures are dangerously high, given the city's realisation it no longer has the Auckland-Wellington resilience to diversify its employment bases.

Five years ago, the outlying South Island resentment

against such North Island "leposits" as the Cook Strait city, would have passed by in Christchurch doing very easily, thank you.

Last year, though, the private radio station's 42nd annual chart-topper inset that was seriously counted the allures of a would-be Socred separatist movement that earlier would have been yawned away.

For the local National Pan-cakes, this is bad news — regardless of the genre: realities of Christchurch's economic situation, the night of "policy" and pretence: Fendallton and Cashmere, at maybe even lethargically (Ancient beachside Summer, St Pheasant and Redcliffe, but sunk deeply into the folklore; there is a "bare" of "have-not" thinking in the 1970s.

For the Labour Party, too, the turn of the century — recognised, if not always potent force on the local scene, there is an extra bonus — after a history of back-biting, un-cynical civic politicking at the working-class level, there is probably a greater tolerance given the kamikaze infighting of parliamentary Labour.

(And really, after all, if you "we arrived in 1850" you realise this, though Christchurch is, in terms of the local body boundaries, the country's most populous city, most of the good heart of the National-held seats lie north-west, outside the borders of querulous Che-che in upper, all-suburban, Waimairi County, divided only over partisan issues such as rubbish collections.)

But added to Labour's inner-city and east and south-east strength, the increasing national stature of "local" Moore, Hercus, Caygill, John Kirk (and even in a local fashion Connelly and Aranui Mary Bachelor), many of these with down-home local body careers behind them, Labour has a far higher staying-power profile.

Quigley definitely aside, National has not offered Christchurch voters as much to relate to — neither the less-than-impressive McLachlan with his rustic image nor the minimal appeal to voters in the urban fringes of his seat as a safe in Fendallton, but a quality of privilege, the son of a large stature father (John Kirk from the analogy) and a pedigree from Cabinet in 1979.

And next door in Yaldhurst, Margaret Murray is a vigorous, thrifty woman — with place somewhere in Parliament for National, if not this time round.

Compared with three years ago, when Christchurch Nationalists reeled from politically damaging factory closures and even the National-leaning mayor, Hamish Hay, joined the chorus of protest, National is feeding a lot better about itself.

A recent candidates' meeting had an optimistic air. While Auckland Nationalists have the litters — after a decade of riding high — Christchurch Nationalists are bouncing up-wards.

From Page 37

And even John Kirk has had a success or two with his tenacious pursuit of Colin McLachlan on transport matters.

Labour in Christchurch occupies the centre ground that elsewhere has been National's preserve. And, uniquely in the country, it boasts the superior organisation, drilled, well-funded, well-informed, ear close to the ground and confident.

Nationalists look wistfully on, envying the sheer firepower of the new MPs — recognising that in another day and age the three stars, Caygill, Hercus and Palmer, might have been theirs.

But National, too, has its star. Derek Quigley, Minister of Tourism and Housing, occupant of one of the two key fringe seats, that of Rangiora, has become almost the guardian of the Party's philosophy.

Throughout the country, Quigley's name has become symbolic of the return to the true private enterprise faith they all say they want.

And, at the centre of the abortive revolt against Robert Muldoon last year, he has become a symbol of the cry for more restrained and more philosophically correct leadership.

If Quigley goes in this election, the emerging new breed of Nationalists, the self-making achievers in their thirties and forties, will lose a rallying point.

And Labour is tilting hard — much harder than in 1978 — at his seat.

But Quigley may also be symbolic of an emerging local revival of the National Party.

In the other fringe National-held seat of Selwyn, Quigley's Rull Richardson, the human cannonball who fought Tasman in 1978, is shaking the local National organisation so hard its back teeth have been rattling.

If she holds the seat — and the revived organisation should put up a better fight than the tattered jockey "working" for McLachlan in 1978 — she will provide a splendid foil for Hercus and gripping viewing for politics watchers.

Self-made businessman Philip Burdon has also injected some life into a Fendallton organisation which in the past has been able to take its role in the once-blue ribbon seat as born to rule.

Burdon has his detractors, among them residents who don't like the pollution from his battery-grown Meadow Mushrooms at out-of-town Prebbleton, but he also has a lot more dynamism than his retiring predecessor, Eric Holland.

And next door in Yaldhurst, Margaret Murray is a vigorous, thrifty woman — with place somewhere in Parliament for National, if not this time round.

Compared with three years ago, when Christchurch Nationalists reeled from politically damaging factory closures and even the National-leaning mayor, Hamish Hay, joined the chorus of protest, National is feeding a lot better about itself.

A recent candidates' meeting had an optimistic air. While Auckland Nationalists have the litters — after a decade of riding high — Christchurch Nationalists are bouncing up-wards.

## National enjoys 'the only way is up' optimism

## The Christchurch scene

ELECTION WATCH '81

first leader and secretary, has ever since been a backwater for Social Credit.

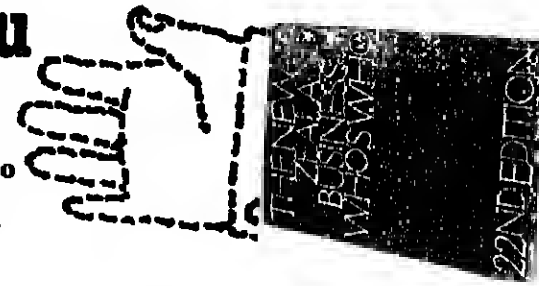
Social Crediters see opportunities in the safe Labour seats and the league did push National into third in Christchurch Central in 1979, but that was a by-election where different factors operate.

Apart from pockets of support in Selwyn which may influence the result, Social Credit is not likely to have a decisive effect on any seat.



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## Rangiora result: questionable with capital Q(uigley)

RANGIORA is the most interesting seat in the South Island. It is tantalisingly within Labour's reach — and it has one of the National's most interesting sitting MPs.

Derek Quigley is the embodiment of good and evil.

To Nationalists fed up with modified "socialism" and impatient to make an honest buck without having to get the prior approval of some bureaucrat, Quigley is a beacon.

To Labourites and trade unionists trying to hold together a welfare state already crumbling as a result of alleged Tory neglect, Quigley is the wrecker incarnate.

The Canterbury Trades Council even distributed a leaflet in Rangiora in May inveighing against his now-shelved proposals to rehash the accident compensation scheme.

To one lot he is the man who could restore the New Zealand way of life. To the other he is the man who would destroy it.

Both Labour and National think they will gain from the fact that it is Quigley standing in Rangiora.

Labourites argue that he is caught both by being seen to be a member of the Muldoon Cabinet and, to the extent that he is seen differing from Muldoon, by being seen to be too far to Robert Muldoon's right in a country which does not like extremes.

Nationalists argue that those who would vote National will



Derek Quigley... symbol in jeopardy?

do so anyway, and that those who might not vote National because of their dislike of Muldoon or because they think the party has moved too far away from its basic principles will stay with Quigley as an internal party instrument of change.

Some people working for him in this campaign are Quigley people rather than National people.

There is in this respect a mini-parallel with Don Brash in East Coast Bays.

The two men also share some personality traits — a public coolness that, if it does not actually repel people (and it may), doesn't magnetise them either; contrasted with an engaging freshness close up.

They broadly share a strong, non-interventionist economic philosophy.

But, where Brash's mind is nimble and flexible, Quigley's is cautious, slow to absorb and then only after conviction with

mountains of evidence — and thereafter almost inflexible.

The party likes that inflexibility. It sees it as steadfastness.

Wherever you go in the party, but most particularly in Canterbury, you find party activists, particularly those under 40, will give Quigley's name as the MP they most admire far more than that of any other, including Muldoon's.

Left off the platform at the recent party conference, he made only one contribution, a three-minute speech from the floor in a debate on taxation in which he reminded delegates that tax reform was valueless unless accompanied by an active commitment to fundamental economic reform. For a summary of the reform he wants, read his "manifesto" printed in *Election '81*.

The speech was only three minutes, but it evoked the conference's warmest response (as distinct from the most unreasonably emotional — that went to Muldoon).

That response was not only for his thoughts. It was also because he is seen throughout the party as the MP (and Minister) with the guts to stand up to Muldoon. He is one of the few whom Muldoon cannot browbeat.

So young Chris Hayward has bitten himself off a real chunk of the political loaf in trying to unseat Quigley. He is attempting to remove not just a minister, but a National Party symbol, almost a personalised mini-site of recent history.

But chubby, shiny-faced Hayward, 26, a teacher, has reason to hope for success: the swing in Rangiora in 1978 was well below average.

One possible reason: Quigley's personal appeal held against the swing.

Labour's reason: the candidate in 1978 came from outside and did not relate well, to use one of the more delicate ways of phrasing it.

Organisation was poor and in some cases non-existent, which meant canvassing was not completed and, therefore, Labourites claim, up to 700 Labour voters may have been missed, with a corresponding effect on the vote.

Organisation this time is extensive and membership sharply up, even reaching vigorously into the small country townships in the north of the electorate.

Hayward teaches in Rangiora and is in his second term on the borough council. He classes himself as a liberal on moral and economic issues — a moderate, suitable for unradical Canterbury.

In addition, there is much more support and more sophisticated support, from the head office ("people are beginning to see we have a policy").

MPs have also been awarining through the electorate (though note that David Lange could get only 60-odd to a meeting in Rangiora).

And there is help from Christchurch. Three years ago the Lyttelton, St Albans and Papanui organisations were glued to their own contents; this time there is some spare capacity.

Hayward has had "powerful support" from Lyttelton's Ann Hercus, a formidable organiser and public figure.

And there is finally a better feeling. "We'll bolt to," said

one long-time Labour activist who contrasts the atmosphere vividly with 1978.

Other straws in the wind: The Catholic *Tablet* has come out anti-Quigley on accident compensation and housing (his portfolio); and there is more audible grumbling about Muldoon.

A Labour win? Don't bet on it (or against it).

For a start, Rangiora actually grew between 1976 and 1981 and may therefore not have declining metropolitan Christchurch's gloom.

Second, National's membership in the electorate is above 2800 now and likely to reach 3700, a record for the seat and right in the front rank for the country.

With 1200 new members and

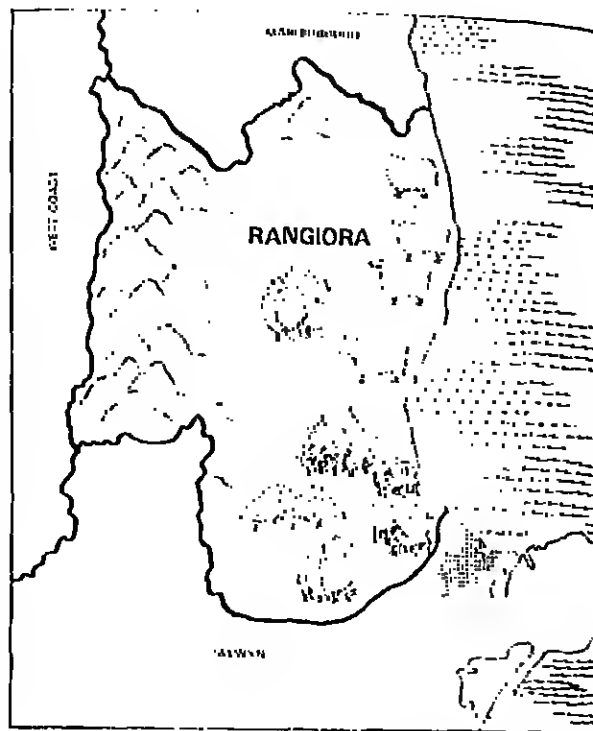
a much-invigorated organisation ("the best in three elections," says an old hand), National is confident of winning by 1000 votes and says its surveys are showing no loss of support at all.

Their reason: Quigley. He's a bit like filtered coffee, it seems: the coffee takes a while to filter through, but once it has, it tastes good.

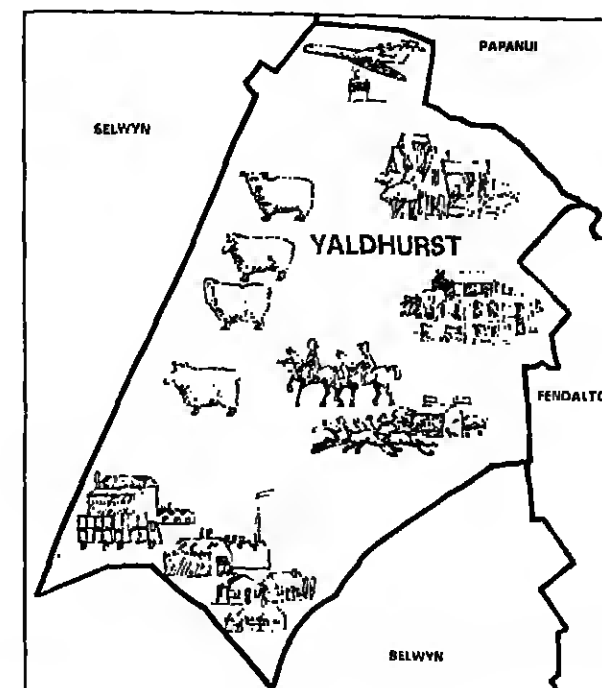
But for many people the filtering is still under way. They see only the aloof, cold fish who dismayed even staunch Nationalists at first. Labour canvassers put Hayward in front.

Much will depend on the nationwide swing, of course. But it is far from clear before the event whether Rangiora is likely to move further or less than the swing.

That makes it a fascinating seat for election night.



## Time and place for Tory 'turn round and fight back'



YALDHURST is symbolic of the National Party regeneration in Christchurch. In Yaldhurst National is counter-attacking against the Christchurch Labour juggernaut.

It is well-chosen. It is the electorate where the on-the-make in Christchurch are to be found: \$70,000 and \$80,000 houses with far mortgages and lifestyles are more in keeping with aspirations than incomes.

It is the place to climb through on your way to established Fendalton closer in to the city.

The Yaldhurst electorate covers the western boundary of the city near the airport, reaching out through 10-acre blocks (now themselves succumbing to the encroaching development) to the rural commuter township of Yaldhurst itself.

It stretches in a continuous

gradation from high-priced Rusaleys in the north to working-class Hornby.

National centres its support on thriving Avonhead and Mick Connelly's Labour Party has its main strength around Hornby.

The dividing line is Racecourse Road (yes, Riccarton racecourse), according to the Nationalists, one block further north according to Labourites.

That tells much of the story. Judging by the sort of housing, the dividing line should be further south and the seat National's.

But this is Mick Connelly's electorate. Younger Labour upstarts sometimes worry that Connelly does not do enough canvassing; but then they find he knows exactly where his support lies from long experience.

Member for electorates in this part of Christchurch since the mid-1950s, Connelly is an old-style local, with an almost osmotic understanding of the area, its problems and people.

Attentiveness is one strength. A close empathy with working-class and middle-ground conservatism is another. Connelly, though he has a degree in commerce tucked away in the background, is no lounge-burdrinking trendy liberal.

He is reputed to have a tight grip on the loyalty of his voters. But this coming term is expected to be his last. There was talk in 1979 of challenging his nomination, but it faded. Labour needs him to shore up its tough working-class support. At times recently he has seemed to carry this role alone.

Once Connelly goes, National figures, Yaldhurst is up for grabs, especially if, as seems likely, it contracts on the higher-cost new housing area. So Margaret Murray's drive has a long-term purpose as well as short-term hope.

To win a seat off Labour would be psychologically important in Labour-dominated Christchurch. To be vigorously carrying the fight to Labour in at least one seat this time is equally important.

And Murray has had Connelly a bit worried. He has been seen more active in the newer bits where support is dicey.

Murray is spending money. Television advertisements during the winter were a New Zealand first, the sort of thing you'd expect in flashy Auckland.

An expensive glossy pamphlet has urged voters to "make the future right" (politically speaking) and shown them 39-year-old Murray campaigning, local body politicking, dining (with "ex-

tended family" — it includes her mother-in-law) and playing tennis in zippy track-jacket.

At a distance she has a prissy, perm-and-gloves appearance and speaking manner. She looks and sounds remarkably like a slightly better dressed Ann Hercus.

The impression is deceptive in both cases. Murray is a first-developing, well-organised, shrewd and intelligent woman.

An established local politician — top polling out the huge urbanised Waimairi county council which surrounds the old city — she still a bit raw on national issues, but has an instinct for the game and is quick on the uptake.

The party recognised that with rapid promotion from entry in 1975 to dominion councillor in 1979 — then appointments in the Christchurch Teachers College Council and the local rent appeal board.

Murray typifies the bubbling, confident, anti-bureaucratic 30-45 age group in the National Party which has been pushing up under the aged crust of the "socialist" 1960s and has begun to come through.

Her campaign team is mostly youngish, professional or self-employed and as shiniy "executive-style" as their houses. Murray lives in a house just like theirs.

It's the sort of team Aucklanders might find in Rikkenhead (or Pakuranga or East Coast Bays if things were more normal there).

Murray needs a 4.1 per cent swing to win. That should be beyond her even if there is a National rollback against Labour's 1978 tidal wave in Christchurch, unless there is a substantial movement against Labour nationwide.

But it has put a bit of life into the Christchurch scene.

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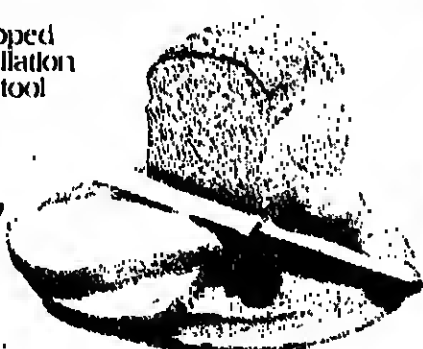
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## Labour pins slim hope on 'ordinary' circumstances

SELWYN looks superficially like Rangiora. There are parallels. But there are also differences.

Both National-held electorates are wedged into Christchurch, with a suburban chunk balancing a large rural expanse containing numerous small townships.

But whereas Rangiora borough has long formed a natural servicing and administrative centre for Rangiora seats and Hurunui seats before them, giving them a sense of entity, Selwyn has only gradually edged into Christchurch and its urban sectors reaching into Hornby are distinctly Christchurch-oriented dormitory and industrial suburbs, with no servicing link with the rural hinterland.

Rangiora electorates have been marginal for a decade and the National organisation has adapted to that status. Selwyn was always safe until 1978 and is only now learning the techniques of marginal organisation.

Rangiora, with a strong private enterprise candidate (Derek Quigley) and a weak Labour candidate, had a lower-than-average swing to Labour in 1978.

Selwyn, with a weak, ridiculed minister as candidate (Colin McLachlan) and a dogged Labour candidate, recorded a bigger-than-average swing to Labour.

Selwyn National candidate this time, Ruth Richardson (see Page 43) is a Quigleyite on economic matters. She may

even be more hardline.

But she is also more liberal on social and moral matters. The state should not only get out of the economy, but out of bedrooms to boot, she says.

She is an aggressive woman, growing, if anything, more aggressive. At a seminar in Wellington recently she disturbed onlookers with direct attacks on questioners.

Her campaigning style is vigorous and hard-sell, driving home her version of the National message with some force.

Labour canvassers are still picking up conservative rural Canterbury dismay when they go round after her. It may not translate into Labour votes, but it gives them hope.

Nationalists freely acknowledge the ructions the selection

of abrasive outsider Richardson caused, but insist internal party opposition has died down (the leaders of that opposition agree).

Nevertheless Labour candidate Bill Woods — a solid middle-of-the-road rural (Springfield, near the Alps)

shopkeeper and poultry farmer — is confident things are better for him than in 1978 when he surprised observers.

Labour is much stronger in the country townships this year than then and has a much more vigorous membership.

A straw in the wind: 35 at a young farmers meeting where he was asked to speak, when usually only about a dozen turn up. Another straw: this time he is being asked to speak by many groups, compared with exactly two last time.

But that may only reflect the electorate's realisation that for once it is marginal. In the past it has come to a matter of whether you voted for or against the National winner.

Where Richardson is young, bright and high-flying, Woods is run-of-the-mill, middle-aged and a long-time local.

Where Richardson is radical, Woods is conservative and safe. Where Richardson is student, Woods is a thoroughly decent and soft-spoken bloke, who has gathered round him a dedicated team ranging from younger students and research scientists to older retired Labour stalwarts.

One most commonly hears of Woods that he is a "nice guy, but..."

The "but" leaves some room for Social Credit. The third party did relatively well here in 1978, no doubt picking up disgruntled National-leavers, who perhaps in another electorate or with a more dynamic Labour candidate might have gone Labour.

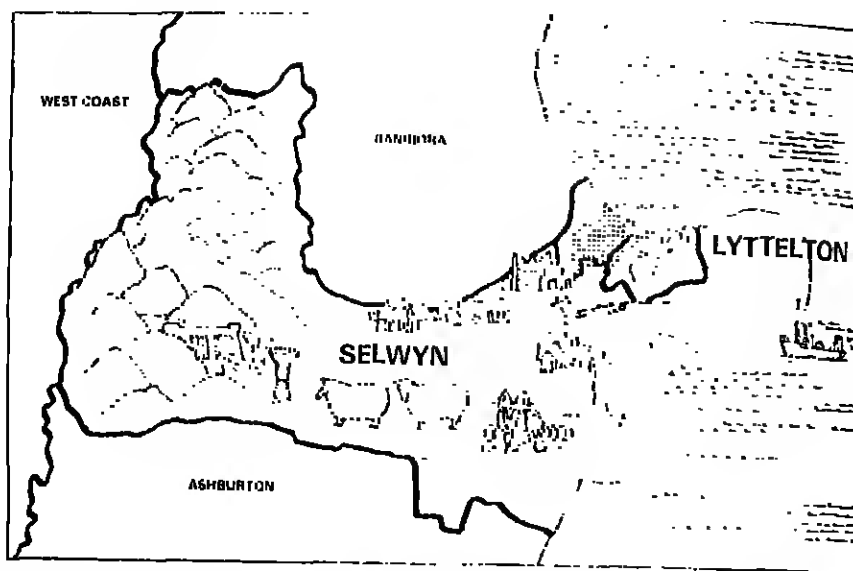
Richardson's black-and-white personality will leave other National doubters for the taking and the Social Credit candidate, Lyttelton postmaster, Jim Gribben, reports some success.

National canvassers are finding a strong Social Credit presence, too, mainly in the strong Labour areas in the Christchurch suburbs.

The Social Credit influence may queer the result in what would otherwise be a straight Labour-National marginal — and thus give it more interest (and, perhaps, put it behind Rangiora as a Labour hope, despite a smaller on-paper swing being needed).

National sophisticated would welcome trendy libertarian Richardson.

Labour, with too many liberal tendencies already, would welcome the conservative leavening of ordinary bloke Woods.



## Hercus vs Richardson — (wo)manfully shaping up

NOT all the battles across the floor of Parliament are between parties. Every now and then a couple of MPs will pair off in a special duel of their own.

If all goes according to plan, a classic such pairing-off is shaping up down in Christchurch.

Ruth Richardson, 31, tightly-sprung small bundle of right-wing rationality, is after the National-held marginal of Selwyn.

Across the other side of the city, Ann Hercus, 39, tautly slender organism of owl-like efficiency, has a tight Labour grip on Lyttelton.

Only three years in Parliament, Hercus has already become a nationally-known figure.

She is the first woman MP with a real potential to become prime minister.

But even without having reached Parliament, Richardson has made a minor national name for herself. If she wins, she will rapidly expand on that reputation.

Richardson came to prominence in 1978 when she fought a tenacious, house-by-house campaign against Labour leader Bill Rowling in Tasman.

Her apprenticeship over, Richardson looked around for a winnable seat.

In the meantime she joined Federated Farmers as legal officer, where she turned a cosy job into a ground-breaking one.

Federated Farmers for the first time took an active interest in land use hearings, presenting submissions to local authorities and the Planning Tribunal.

Richardson took a more active role in legislative hearings. The old days of old school tie mateship having long passed, Federated Farmers needed to develop new ways of influencing politicians.

But Richardson wants a lot more to be a politician. And fast.

She has family land in the Waitara electorate. She could probably have counted on picking up the National nomination there for the 1984 election, once Venn Young goes.

But that was too far off. Richardson went for Selwyn, where Transport Minister Colin McLachlan is retiring.

A young woman, in a seat where the Tories are really Tories? Not on, surely.

Even more outrageous, she is strongly feminist in her outlook. And believes freedom should not just apply in the economic sphere but to the moral sphere as well. And won't take her husband's name, or settle down and have kids.

Further still, she insists on saying what she believes — to everybody who wants to listen and even to those who don't, when she can get hold of them.

It should have been a recipe for defeat from the serried ranks of Canterbury rural conservatism.

And, in fact, she did stir up some fierce opposition. Some disgruntled party members went to the Christchurch Press complaining that she was an outsider who had been forced on them by Prime Minister Robert Muldoon.

(In fact, they couldn't have been further from the truth. Until very recently Richardson's outspoken advocacy of much faster deregulation and a much freer economy kept her at arm's length from the Prime Minister.)

But Richardson demolished

the opposition with sheer ability. She went into the electorate cold, but by the time she had got through the pre-selection meetings, she already had the nucleus of a campaign organisation and a growing band of devoted helpers.

She won the selection on the first ballot. Since then she has bought a 23-acre farmlet in the region and put together pretty near single-handed a campaign team where before active campaigning has been almost unknown.

And the campaign has been run at a fast clip with a high profile. "This is where it's at," blasted a heavy headline in the local country newspaper with a map showing Richardson's firm.

"This is where you call if you want something done in the Selwyn electorate. This is where you'll get straight answers on..."

"Don't just talk about it — let's get something done."

A bit indecent, when the sitting MP isn't dead-and-buried yet — but then Richardson is determined, and competitive.

She makes no secret of her belief that Hercus is one of a "formidable Labour team in Christchurch" and that she is looking forward to matching wits and political swords.

Already they have met, on a panel organised by the Society for Research on Women.

Richardson's people say she got Hercus on the back foot.

Hercus's people say Richardson managed to insult Hercus, the chairperson and the society in her first few sentences.

There won't be any quarter. Hercus is a full match for Richardson in determination. They match each other in logic and thorough preparation.

They both excite strong emotions in their opponents. Hercus particularly seems to have enraged (envious?) Nationalists.

Richardson may have the faster brain and the higher-pressure delivery, fortified with a lucidity that defies simple contradiction.

Hercus has a sidetone coolness and a teeth-on-edge righteous presentation — slow, twisting each point in the wound.

Apart from relative youth, intelligence, determination, organising skill and enjoyment of the battle, the two women share a politics-first approach.

Both have strong sympathy with the feminist cause, but do not give it precedence over other broad national issues.

They want to make it to the top of the system more than they want to fundamentally change it.

Both have supportive husbands.

Richardson's husband, Andrew Wright is a civil servant, very much a background figure.

Hercus's husband, John Hercus, is a political figure of some weight in his own right — as director of the Canterbury Technical Institute, on the education stage; and as a member of the Labour Party's New Zealand executive (and perhaps its next president).

Married young, they have a symbiotic relationship. Often one ringing the other up will find the phone engaged — because the other is calling the other way. Their two teenage sons are of an age which frees them both for political activism.

Ann Hercus trained as a lawyer, but has never practised. But her promise was recognis-



Hercus, Richardson... fam-in-activists

ed by the third Labour Government which appointed her as the Price Tribunal and then the Commerce Commission.

The National Party, which had out-organised Labour's Tony McGowan out of a job in 1975, was itself out-organised by a military-like Hercus opera-

tion. A 65-page report of that machine has become a sort of manual for other Labour electorate organisations.

In Parliament Hercus has deliberately concentrated on economic issues. She is shadow minister for consumer affairs (prices) and associate to Roger

Douglas in trade and industry.

There is no incompatibility in that association. Hercus is one of the new breed of Labour politicians with a much less control-oriented attitude to economic management — an attitude Douglas's iconoclastic innovations in Labour thinking have helped to break down.

Hercus, like others, does not go right down the track with Douglas, but his emphases on radical tax reform, efficiency and competitive small and medium business have influenced her.

Hercus is ambitious. Opponents regard her as "dangerous" and dub her with other epithets too indelicate to print here.

Part of the abuse and criticism is envy. National doesn't yet have an MP like

her, with her rapidly emerging nationwide reputation as a woman who has really made it among men.

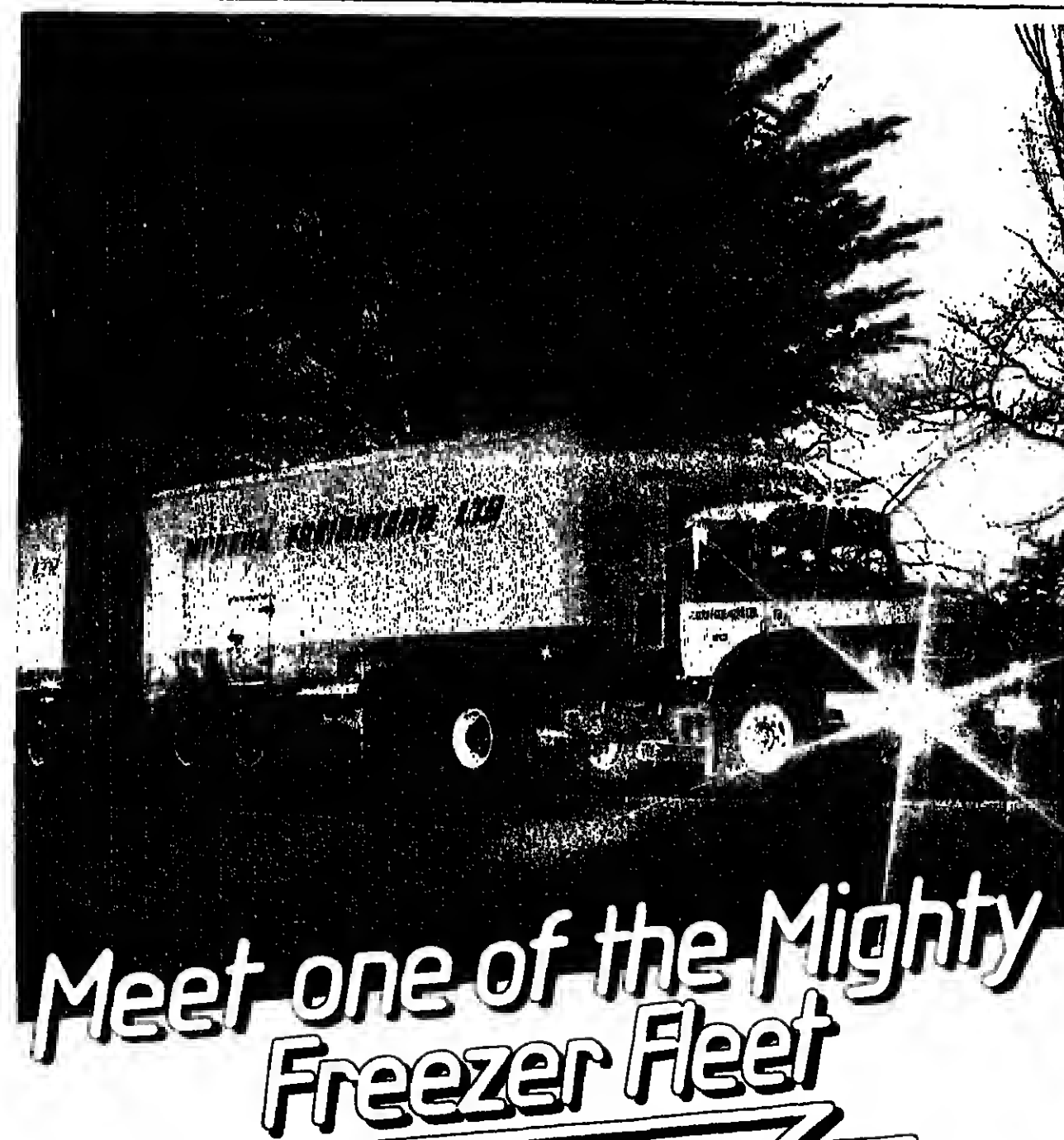
And there is a feeling that really she ought to be one of them, that she has in some sense betrayed her class.

Hercus would revel in that sort of inverted tribute to her ability.

But she has also had a knack of upsetting those whose goodwill she needs.

Her ambition and impatience to realise it are too transparent for some. And she sometimes lacks judgment.

Hercus is already one of Labour's top half-dozen spokespeople, with a sure high place in Labour Cabinet. Richardson would be an irrepressible backbencher, with a sure future higher in National ranks. They would make formidable and worthwhile foes.



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